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Employment and Wages in the Child Care Industry: Insight from the Great Recession

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The COVID-19 pandemic is forcing child care providers across the country to close. **Between February and April 2020, employment in the child care industry[1] dropped by about one third, losing 360,000 jobs** (see Figure 1). We do not yet know how this will affect the longer-term economic health of this sector. This has implications for the supply, quality, and price of child care for low-income families. In addition, many child care workers themselves are low income, and their economic well-being can determine whether their families are self-sufficient. This brief examines historical trends in employment and wages, particularly around the 2008 to 2009 recession, which may give us an idea of how this sector may respond to the current crisis.

As of April, the child care workforce has fallen below 2000 levels, a greater decline than almost every other industry sector. February through April 2020 saw a drop of a little more than one-third, which is more than twice as large as services overall (see Figure 1).

The 2008-2009 Recession halted the long-run growth in child care employment for six years.

Over the last 20 years employment in the child care industry has seen two periods of growth:

- January 2000 to December 2007 saw a nearly 24 percent increase in employment, and
- October 2014 to February 2020 saw a 19 percent increase.

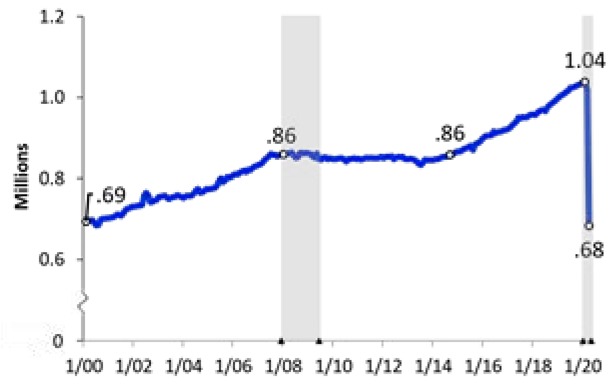
This latter increase brought the February 2020 level of employees to 160,000 above its January 2008 level (see Figure 1).

Between these two periods of growth there was a leveling out in in child care employment, between 2008 and 2014. Employment did not resume growing until after October 2014, a little more than five years beyond the end of the Great Recession in June 2009. A repeat of

Figure 1

All employees, child care services, seasonally adjusted

January 2000 – April 2020



Note: Shaded areas denote the periods from Dec 2007 to Jun 2009 and Jan-Apr 2020.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics - CES (National), series CES 65624400, https://www.bls.gov/ces/data/home.htm.

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[1] The analysis focuses on the child care industry as defined by the Bureau of Labor Statistics. Details on the sector definition can be found in the technical note at the end of this brief.

this pattern after the current shut down could result in another long period of little to no growth in employment in child care.

Employment in the child care industry performed better than most other sectors of the U.S. economy during the Great Recession.

Employment in the child care sector has in general been stronger than other sectors. The Great Recession saw employment in manufacturing and construction decline by 17 percent and 25 percent respectively, for example. Since then the goods producing sector has not returned to its pre-recession level of employment. Employment in services declined by 4.8 percent and did not regain their January 2008 level until September of 2012.

Child care wage growth has exceeded the rate of inflation

During the 2000-2007 growth period, average real weekly wages for the child care sector increased by almost 10 percent, which amounted to $38 in real wages (see Table 1). In the following 6-year period of no growth in employment, average real weekly wages increased by nearly four percent. During the most recent growth period, average real weekly wages increased by a little more than three percent, which brought them to $460. Since 2000, total real wages increased by more than 17 percent.

Table 1. Average Weekly Wages in the Child Care Industry

NAICS	Industry	Average Weekly Wages (2019 dollars)			
		1st Qrt 2000	4th Qrt 2007	4th Qrt 2014	3rd Qrt 2019
6244	Child Care	$392	$430	$446	$460
		Cumulative change in Average Wages (2019 dollars)			
6244	Child Care	—	$38	$54	$68

Note: The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments. Average wages deflated using quarterly averages of the CPI-U.
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, https://www.bls.gov/cew/downloadable-data-files.htm.

Employment of mothers with small children drives child care employment

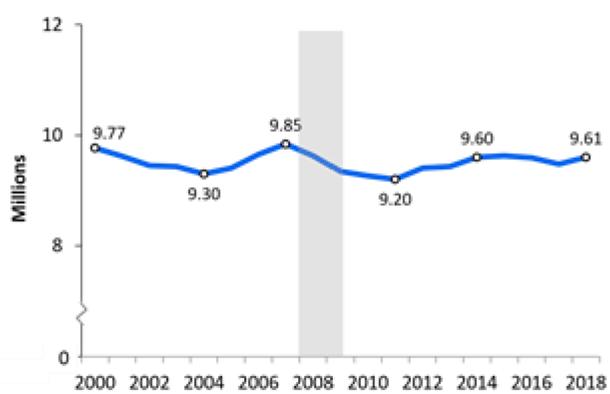
Employment in the child care sector is primarily dependent on the employment of mothers with young children. However, the relationship is not always a fixed proportional one. As can be seen in Figure 2, employment for mothers with children under age six declined between 2007 and 2011. This decline corresponded with the period of employment stagnation in the child care sector.

If other things remain equal, declines in employment among parents with young children as a result of the pandemic is likely to spillover into the child care sector. Conditions in other sectors that compete for workers may also impact conditions of both demand and supply for child care services and child care workers.

Figure 2

Employed mothers with children under age 6

2000 – 2018



Note: The shaded are denotes the period of recession from 12/2007 to 6/2009.
Source: U.S. Bureau of Labor Statistics, Employment Characteristics of Families — 2018 and earlier News Releases, https://www.bls.gov/news.release/pdf/famee.pdf.

An additional challenge in the current coronavirus crisis, which was not present during the Great Recession, is that many child care providers have been either ordered to close or, if they remain open, suffer a dramatic decline in enrollment. The ability to remain solvent as a business is a real challenge for child care providers during this crisis and many may not be able to reopen after the crisis even if parents return willing and able to resume paying for child care. This feature of the current pandemic makes it distinct from the Great Recession.

Employment in child care faces an uncertain future in the days ahead

Given the present COVID-19 shutdown of most non-essential businesses, the prospects for the child care industry, like that of the entire economy, are very uncertain. There is no way to predict how much the economy is going to decline or how long the recovery will take. The recession of 2008-2009, however, is illustrative of what this shutdown could possibly produce. The Great Recession saw a period of slight decline in employment in child care, and was followed by an extended period of more than six and a half years of no growth in child care employment. This paralleled a five-year dip in employment of women with children under six years of age, and (as of 2018) this group's employment had still not returned to the peak levels prior to the Great Recession. The child care industry has already seen a sharp contraction in employment, which may outlast the economic downturn.

Technical Note

Data for this analysis are drawn from the Current Employment Statistics and the Quarterly Census of Employment and Wages, produced by the U.S. Bureau of Labor Statistics. All employment numbers are reported using seasonally adjusted estimates. The child care industry in this analysis is defined by the NAICS code 624410 - Child Day Care Services. This industry comprises establishments primarily engaged in providing care of infants or children. These establishments generally care for preschool children, but may care for older children when they are not in school and may also offer pre-kindergarten and/or kindergarten educational programs. Examples include: child care babysitting services, nursery schools, child or infant care centers, and preschool centers. While employment in this industry is not restricted to employees that provide direct care to children, over 80 percent of workers in this sector are classified in occupations that do.