COVID-19 Pandemic Impact on Illinois Child Care Workers

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POLICY BRIEF

Child care workers are one of the lowest-paid groups in the U.S. Their median national pay in 2023 was $14.60 an hour.[1] This is lower than the wage for retail sales workers ($16.30/hour) and customer service workers ($19.08/hour).[2] Wages have remained stubbornly low even as the price of child care has risen significantly in recent years. The COVID-19 pandemic introduced a shock to the child care workforce, which declined by as much as 35% at the height of the pandemic. The size of the workforce has only recently returned to near prepandemic levels. In the meantime, the government made unprecedented short-term investments in child care. In this brief we examine how the child care workforce and child care workers' total wages were impacted by the pandemic, including how those earning the most and those earning the least may have been impacted in different ways.

WHAT WE DID

Our research draws on the wage records reported by employers to the state unemployment insurance program at the Illinois Department of Employment Security (IDES), which covers over 90% of all jobs.[3,4] We focus on workers in the child day care services industry (North American Industry Classification System [NAICS] code 624410) who have stable employment (three consecutive quarters) between 2019 and 2022.[5] As we investigated the employment patterns among child care workers throughout the pandemic, we focused on three different periods. We use wages from the first quarter of 2019 to measure pre-pandemic levels; wages from the second quarter of 2020 to measure at the peak of the pandemic; and wages from the first quarter of 2022 to measure the initial post-pandemic recovery point. All wages are inflation-adjusted to first quarter, 2019 dollars[6]. We examined wages at the 10th, 25th, 50th, 75th, and 90th percentiles of the distribution to study observed differences throughout the pandemic between the lowest-paid and the highest-paid child care workers. Additional analyses examine findings by employer size.

WHAT WE FOUND

We found that during the most acute period of the COVID-19 pandemic, the number of child care employers declined by 8% and the child care work force declined by 16% in Illinois (see Figure 1).

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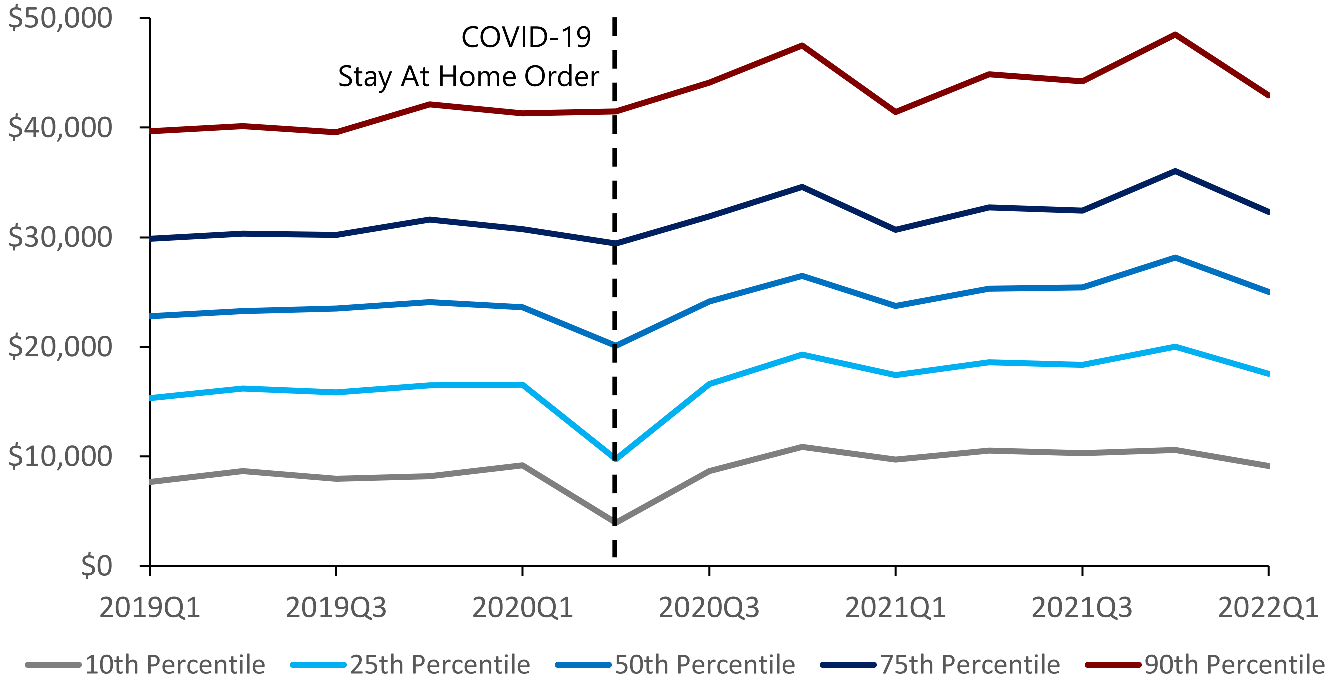
Child care workers making the least were disproportionately affected by the pandemic. Our research in Illinois shows that the child care workers in the bottom half of the income distribution took the biggest hit in total wages earned (likely resulting from fewer hours worked) while wages for the top quartile of workers were relatively stable. While the wage data do not specify the number of hours worked, based on the minimum wage in Illinois, we can reasonably assume that workers below the 40th percentile (approximately) were very likely part-time workers.

Figure 1. Annualized Quarterly Wage Distribution in Child Day Care Services Declined When the Pandemic Started, but has Recovered



Note: Wages are inflation adjusted wages to quarter 1, 2019 dollars.

Table 1. Workers in Lower Earnings Percentiles Saw a Greater Drop in Quarterly Wages

	Number of employers	Number of workers	Quarterly wage				
			10th percentile	25th percentile	50th percentile	75th percentile	90th percentile
Percentage change 2020Q2 (from 2019Q1)	-8%	-16%	-49%	-36%	-12%	-1%	4%
Percentage change 2022Q1 (from 2019Q1)	0%	-6%	19%	14%	10%	8%	8%

Note: Wages are inflation-adjusted wages to quarter 1, 2019 dollars.

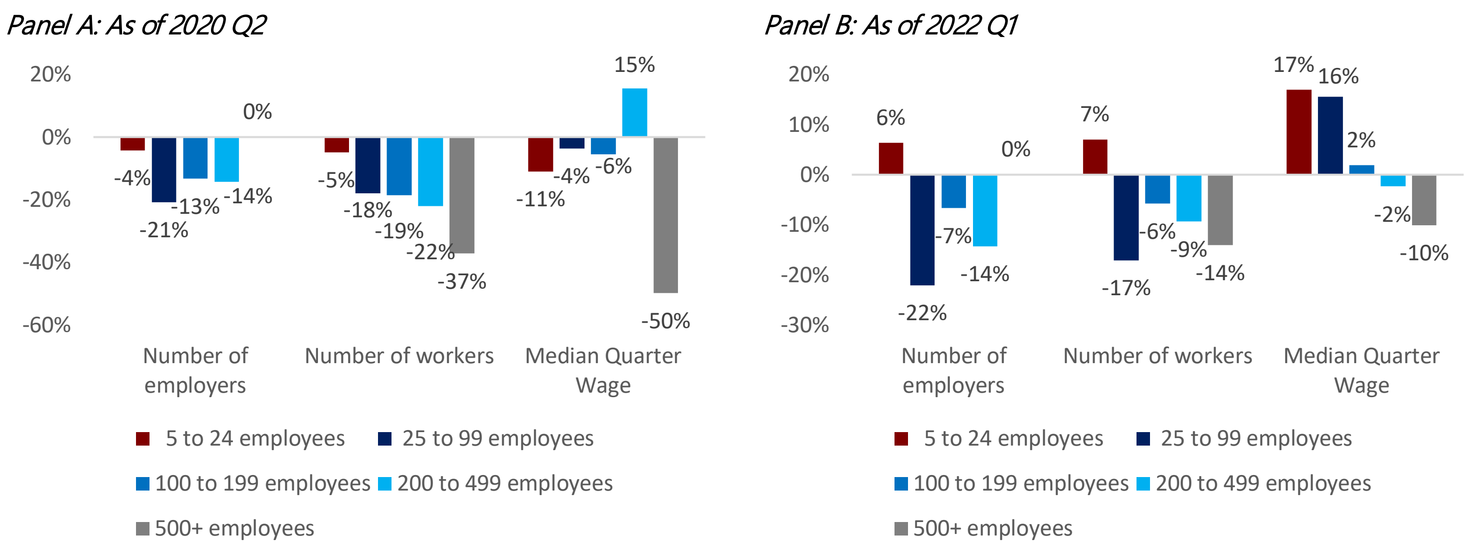
Data from the first quarter of 2022 show that while the number of child care employers had returned to prepandemic levels, the numbers of child care workers had not—they were 6% below pre-pandemic levels. Encouragingly in Illinois, wages look to have rebounded for child care workers across the wage distribution.

Pandemic Impact Across Employer Size

We document differing trends in the workforce and wages by firm size over the study period. Almost half of child care workers in our Illinois dataset were employed by small employers with fewer than 25 employees. It is these small employers which appear to have been stable throughout the pandemic and to have recovered on the measured dimensions as of quarter 1, 2022 data.

In contrast, the largest child care employers—those with 500+ employees—experienced the most drastic decline in number of workers (-37%) and median quarterly wages (-50%; see Figure 2). It is notable that the primary operational support available in Q2 of 2020, the Paycheck Protection Program (PPP), was only open to employers with fewer than 500 employees. Larger employers were also slower to return to prepandemic staffing and wage levels as of the first quarter of 2022. However, these larger employers may have had access to later rounds of pandemic relief through Illinois's Child Care Restoration Grants and Strengthen and Grow Child Care Grants.

Figure 2. Larger Employers Saw Greater Percentage Changes in Labor Market Indicators among Child Care Workers since Q1 2019



Note: Wages are inflation-adjusted wages to quarter 1, 2019 dollars.

WHAT IT MEANS

Our findings suggest that while the child care sector in Illinois appears to have recovered from the reductions caused by the pandemic, the pandemic highlighted the fact that the shocks to the child care industry do not equally affect everyone. Large employers were affected by and reacted to the pandemic and relief policies in different ways than small employers did. Additionally, while those at the top of the income scale remained relatively insulated from the effects the pandemic, workers at the bottom of the income scale, likely predominantly part-time workers, experienced significant loss of earnings. Some workers may have used unemployment insurance to cover those losses. The uneven earnings disruption among workers highlights the importance of having robust support systems, such as unemployment insurance, to mitigate the child care workforce's financial hardships. This industry is an essential support for the national workforce, providing care that enables parents to work.

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ENDNOTES

[1] Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook 2023*, Childcare Workers, at https://www.bls.gov/ooh/personal-care-and-service/childcare-workers.htm.
[2] Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook 2023*, Retail Sales Workers, at https://www.bls.gov/ooh/sales/retail-sales-workers.htm; Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook 2023*, Customer Service Representatives, at https://www.bls.gov/ooh/office-and-administrative-support/customer-service-representatives.htm.
[3] Abowd, J. M., Stephens, B. E., Vilhuber, L., Andersson, F., McKinney, K. L., Roemer, M., & Woodcock, S. D. (2009). The LEHD infrastructure files and the creation of the Quarterly Workforce Indicators. In T. Dunne, J. B. Jensen, & M. J. Roberts (Eds.), *Producer dynamics: New evidence from micro data* (pp. 149–230). University of Chicago Press.
[4] Certain employers, including the federal government and military, small farms, railroads, and some commission-based employment are excluded from Illinois wage reporting. See U.S. Department of Labor Employment & Training Administration. (2022). "Comparison of State Unemployment Laws 2022: Coverage." https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2022.asp.
[5] We use EIN (employer identification number to identify employers) and SSN (social security number) to identify employees. We exclude employers with less than 5 employees and those with unknown or out-of-state county codes.
[6] To support comparability across analyses and over time, all quarterly wage values reported in this brief have been inflation adjusted using the U.S. Bureau of Labor Statistics' All Urban Consumers Not Seasonally Adjusted Consumer Price Index. Since the index is a monthly dataset while wage records are quarterly, we use the value for the first month of the quarter to represent the quarter. Values are presented in January 2019 dollars.