Economic Challenges for Parents During COVID-19

INTRODUCTION

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Economic Challenges for Parents During COVID-19

BY JOHN LEER, DANTE DEANTONIO AND RYAN SWEET

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In this paper, we explore how living with school-age children has affected decision-making during the pandemic. The key findings are:

» Households with children experienced sharper job and income losses than those whose children are not living at home.

» Female parents are more than twice as likely as men to reduce their work hours among couples living together.

» Uncertainty surrounding school reopenings is high, as less than 20% of parents said their children had returned to full-time in-person schooling in the fall.

» Among respondents with children, 30% were using SNAP benefits and 17% were using unemployment insurance benefits to cover expenses.

» The overreliance on nonwage income during the pandemic leads to concerns about making debt payments as less than 40% of single-parent households are very confident in their ability to make minimum mortgage payments.

» The survey highlights the disproportionate effect of the pandemic on households with children and underscores the need for additional support aimed at providing income to households and financial aid to schools.

COVID-19 hit all parents hard...

Americans have faced different financial risks, outcomes and incentives during the pandemic depending on the composition of their households. In multigenerational households, young children and older parents are often dependent on the prime-age adults within the household to earn enough income to pay the expenses of the entire family. As these workers experienced a loss of income, the entire household suffered financially.

Parents have felt the financial effects of the recession more than nonparents. Respondents living in households with children under the age of 18 experienced losses of employment and income at higher rates than those whose children are not living at home. Of the respondents living with children under the age of 18, 19% have been fired or furloughed since the onset of the pandemic, compared with 13% of adults without children at home. Similarly, 34% of respondents living with children under the age of 18 experienced a loss of pay or income as a result of the pandemic, compared with 26% of those without children at home.

The outsize financial and employment effects of COVID-19 on parents magnifies the total impact of the pandemic on the economy since children suffer when their parents lose their jobs or lose pay.

The effects of the pandemic on parents have not been equally felt across genders; the differences become apparent when looking at how the childcare responsibilities have been allocated within working couples. Parents living with their children have to balance the demands of childcare with those of work. This trade-off existed before the pandemic, but it has been exacerbated as a result of it.

Parents who live with their children and with a partner try to collectively optimize these competing demands as a single financial unit. Partners in the same household often do not earn similar incomes, which means that it likely makes financial sense for the lower-income earner...
to reallocate time away from work toward childcare responsibilities.

As theory would suggest, differences in each partner’s relative contribution to household income influenced how couples allocated the additional childcare responsibilities during the coronavirus pandemic. Among adults living with their partners and with children under the age of 18, 19% of respondents who contributed more to household income than their partners said that their partners reduced the hours they work to care for their children, compared with 11% of respondents who contributed less than their partners. From the perspective of a given household, it made financial sense to reduce the hours of the lower-paid partner to address this new, unpaid time commitment.

...But mothers face outsize impact

Among couples living together, female parents have borne a larger share of the additional childcare burden created by the coronavirus pandemic than their male partners. Part of this gender divide can be explained by differences in the relative household income contributions of men and women. Among employed respondents who are married or living with a partner, 48% of females reported that their partners earned a lot more than they prior to the onset of the pandemic, compared with only 14% of males. The survey shows that 20% of male parents living with their partners and with children said that their partners have reduced the hours that they work since the onset of the pandemic in response to having children, compared with only 8% of females (see Chart 1). Assuming that all respondents live in opposite-sex households, then female parents are more than twice as likely to have reduced their hours as male parents among couples living together.3

This difference is not the result of male or female parents being more likely to be employed. Among respondents living with their partners, there is no significant gender difference in the employment status of the partner. This gender divide persists even after controlling for differences in the relative importance of each partners' contribution to total income. In households where women earn more than their partners, 23% of women reduced their hours as a result of their childcare responsibilities, compared with only 13% of men.

These results shed light on the ways in which the pandemic is likely to exacerbate the gender divide in employment outcomes in the U.S. Concerns surrounding childcare availability and safety as well as school reopenings are of paramount importance, as women are likely to bear the larger burden if children are forced to stay at home longer term.

There is already evidence of this effect. The labor force participation rate among prime-age women—those most likely to be impacted by childcare needs—fell further than male counterparts at the outset of the pandemic. The overall labor force participation rate dropped by 3.2 percentage points when the recession began and remains down 2 percentage points from its pre-COVID-19 level. The initial decline in participation among prime-age women was of similar magnitude at 3.4 percentage points, but the rebound has been more sluggish. Participation remains depressed by 2.8 percentage points and what is more concerning is that it has trended in the wrong direction after the initial recovery through June.

Growth in female labor force participation in the second half of the 20th century was one of the primary drivers of economic growth in the U.S. To the extent that the pandemic reverses those trends, actual and potential output in the U.S. are likely to suffer.

A quick turnaround in the labor force might not materialize. It took several years for the labor force participation rate to increase following the Great Recession, but downward pressure on the labor force now is much more significant. This recession crushed many services, and their recovery has been hindered by the rising number of COVID-19 cases. In addition, uncertainty surrounding school reopenings remains high, as less than 20% of parents reported that their children had returned to full-time in-person schooling in the fall (see Chart 2). If female parents—more so than male parents—lose standing with their employers by quitting or reducing their hours to care for their children, their careers may suffer more than those of their male counterparts.

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3 This assumption is because of data limitations. About 2% of all households were same-sex households as of 2019, but there remains limited up-to-date information available on the share of same-sex households with children. [https://www.census.gov/newsroom/press-releases/2019/same-sex-households.html](https://www.census.gov/newsroom/press-releases/2019/same-sex-households.html)
Unique challenges

In addition to parents, multigenerational households, or those consisting of more than two generations living under the same roof, face a unique set of risk and reward trade-offs as a result of the pandemic and recession. For the 47% of workers living with their parents who leave home to go to work, continuing to work increases the risk of infecting their older parents, but refusing to work jeopardizes the financial health of the entire household.

This trade-off is particularly acute among Hispanic and black Americans. Hispanic respondents were more than twice as likely to live with their parents or their partners’ parents (37%) as white respondents (15%), and significantly more likely than black respondents (26%). These differences in household composition further explain why Hispanic and black Americans are at a higher risk of contracting the coronavirus.4

Differences in household composition across political parties also helps explain some of the differences between Republicans’ and Democrats’ views regarding the virus. Republicans are less likely to live with their parents or their partners’ parents (14%) than Democrats (19%) or independents (21%). These differences across parties are consistent with Republicans being more willing to unconditionally reopen the economy than Democrats. Since fewer Republican adults live with their parents, they are more able to accept the health risks themselves without necessarily endangering their own parents or partners’ parents.

Between a rock and a hard place

The survey highlights the effect that children are having on parents’ decisions surrounding hours worked and their employment status, and it varies noticeably by type of household. Among parents, the most common response to the coronavirus was a reduction in hours due to childcare responsibilities. In dual-income, two-parent households, 23% of respondents noted reducing their hours. Also, among the same cohort, 20% said that their partner had reduced their hours worked. Among single-parent households, 23% said they had reduced their hours. Among single-income, two-parent households only 14% reported reducing hours thanks to greater childcare flexibility (see Chart 3).

By comparison, very few respondents reported quitting their job. Only 6% of single-parent households said that children influenced their decision to quit their job, compared with 4% for single-income, two-parent households and 2% for dual-income, two-parent households. In addition, childcare responsibilities have caused either respondents or their partner to turn down a new job opportunity at slightly higher rates than those who quit existing jobs. A small share of respondents also relocated for family help with childcare. Overall, single-parent households were more likely to quit, turn down a job opportunity, or relocate.

Childcare obligations are the primary reason why those with children are not working more (see Chart 4). Not surprisingly, weak business conditions were among the top reasons why those with or without children were not working more. As the recovery gathers momentum, business conditions should improve, allowing for an increase in hours worked, with the benefits more likely to accrue to those without children.

Concerns about employment prospects vary among those that have children. The shares that are very and somewhat concerned were the same for single- and dual-income, two-parent households (see Chart 5).
Households are struggling

Survey respondents with children highlighted the importance of federal fiscal support and other measures beyond income from working in paying for everyday expenses. Among respondents with children, 30% were using SNAP benefits, and 17% were using UI benefits to cover expenses, compared with 19% and 11%, respectively, for those without children (see Chart 6). There are also stark differences across households with children. Single parents are clearly struggling the most, as nearly 60% used their stimulus checks to pay for expenses (see Chart 7). At the same time, about one-third of single-parent households are relying on SNAP benefits and help from family and friends to make ends meet.

The overreliance on nonwage sources of income during the pandemic naturally leads to concerns about the ability to meet debt obligations. Less than 40% of single-parent households responded that they were very confident in their ability to make minimum mortgage payments (see Chart 8). This is contrasted with more than 50% of households without children who feel very confident.

As the pandemic reintensifies across much of the country, the uncertainty and struggle that parents are facing regarding childcare and its impact on household employment and finances is unlikely to abate soon. While daycares have reopened at providing income to households and financial aid to schools. Lawmakers should take a page out of the American Recovery and Reinvestment Act, which provided federal aid to state and local governments that targeted education programs. In the wake of the Great Recession, ARRA provided close to $100 billion in additional support for local school districts to pay for teacher salaries, special education, and career and technical instruction. The funding needed this time around is significantly larger as schools need to fund all the new healthcare precautions to keep schools safe in the midst of the pandemic. This source of stimulus packs a punch. The peak cumulative multiplier of federal education grants is 1.69 and the economic benefits are felt quickly.

Unfortunately, additional fiscal stimulus still will not address the difficult trade-off parents are making as they are cutting hours or not taking jobs because...
of childcare responsibilities. Even as some schools and daycares have reopened, the health concerns of sending children back to school remain.

COVID-19 could further highlight the need for affordable childcare. The cost of high-quality childcare is a heavy burden on the finances of American families and the economy. In many parts of the country, high-quality childcare is not even available.

It makes economic and fiscal sense to scale up federal childcare programs that are already in place and shown to be effective in meeting the challenges of providing high-quality childcare. Other policies are needed to reduce the cost and improve the quality of childcare. This has long-run economic benefits by enhancing childhood development, increasing the labor force participation rate, and strengthening potential economic growth.
About the Authors

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Prior to Morning Consult, Leer worked for Promontory Financial Group, offering strategic solutions to financial services firms on a range of matters including credit risk modeling and management, corporate governance, and compliance risk management.

He earned his bachelor's degree in economics and philosophy with honors from Georgetown University and his master's degree in economics and management studies (MEMS) from Humboldt University in Berlin. Leer's graduate research assessed the effects of fluctuations in housing prices and credit flows on the European Commission's measure of the non-accelerating wage rate of unemployment (NAWRU). His analysis has been cited in The New York Times, The Wall Street Journal, Reuters, The Washington Post and more.

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Before joining Moody's Analytics, Cristian worked for Fannie Mae and taught at Johns Hopkins University. He received his PhD in economics from Johns Hopkins University and is named on two U.S. patents for credit modeling techniques.

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He is a trusted adviser to policymakers and an influential source of economic analysis for businesses, journalists and the public. Dr. Zandi frequently testifies before Congress and conducts regular briefings on the economy for corporate boards, trade associations, and policymakers at all levels. He is often quoted in national and global publications and interviewed by major news media outlets, and is a frequent guest on CNBC, NPR, Meet the Press, CNN, and various other national networks and news programs.

Dr. Zandi is the author of Paying the Price: Ending the Great Recession and Beginning a New American Century, which provides an assessment of the monetary and fiscal policy response to the Great Recession. His other book, Financial Shock: A 360° Look at the Subprime Mortgage Implosion, and How to Avoid the Next Financial Crisis, is described by the New York Times as the "clearest guide" to the financial crisis.

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