



Jobs Recovery and Worker Retention in Childcare Services

Introduction

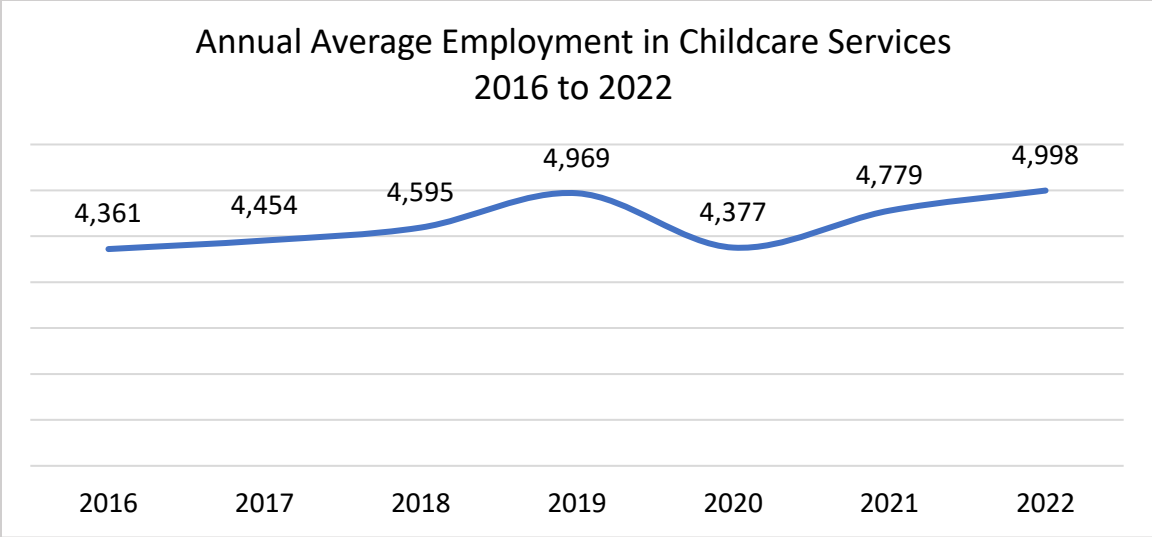
Accessible and reliable childcare provides early education opportunities for children and supports the labor force participation of caregivers. Having a sufficient supply of childcare providers and workers, often described as the “workforce behind the workforce,” allows parents and guardians to seek and maintain employment.

The childcare services industry, which encompasses care services outside of a school setting such as nursery schools and preschool centers, experienced significant job losses in 2020 following public health-related restrictions. This research brief, the first in a series of two, uses Maine industry employment and wage data from 2019 and 2022 to examine staffing levels and worker retention trends in the childcare services industry before and after 2020. Only wage and salary jobs are included, while many self-employed providers or care provided by friends and family are not. As a result, a large number of licensed and non-licensed childcare providers and their employees are not captured in this analysis.

Jobs Recovery

Annual average employment in childcare services has recovered to pre-pandemic levels due to significant job gains in 2021 and 2022.

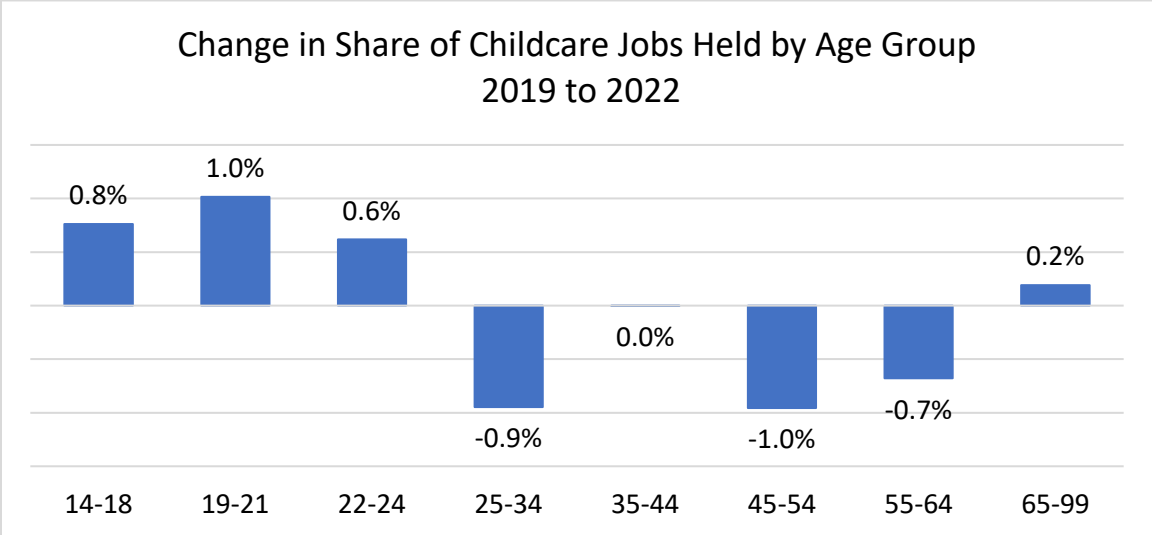
Staffing at childcare establishments varies seasonally, with the lowest employment levels occurring in late summer. In the years leading up to the pandemic, annual average employment in the industry increased gradually from approximately 4,360 to 4,950 before dropping nearly 12 percent to 4,371 in 2020. Following significant jobs gains in 2021 and 2022, statewide employment in childcare services is now comparable to 2019.



A Younger Workforce

Between 2019 and 2022, the workforce in childcare services became younger with a greater share of jobs held by workers under the age of 25.

The childcare workforce became younger after the pandemic, the result of some prime-age and older workers leaving the industry. In 2022, 27 percent of jobs were held by people under age 25 – a three percentage point increase from 2019. Younger workers, who are less experienced and less established in their careers, are more likely to change jobs or industries, to pursue educational opportunities, or to move out of state.



Worker Retention

A younger workforce and a competitive labor market contributed to lower worker retention rates in childcare services in 2022 compared to 2019. Workers who left childcare services typically moved into other industries within the education and health services sector.

Retention Rates and Industry Switching

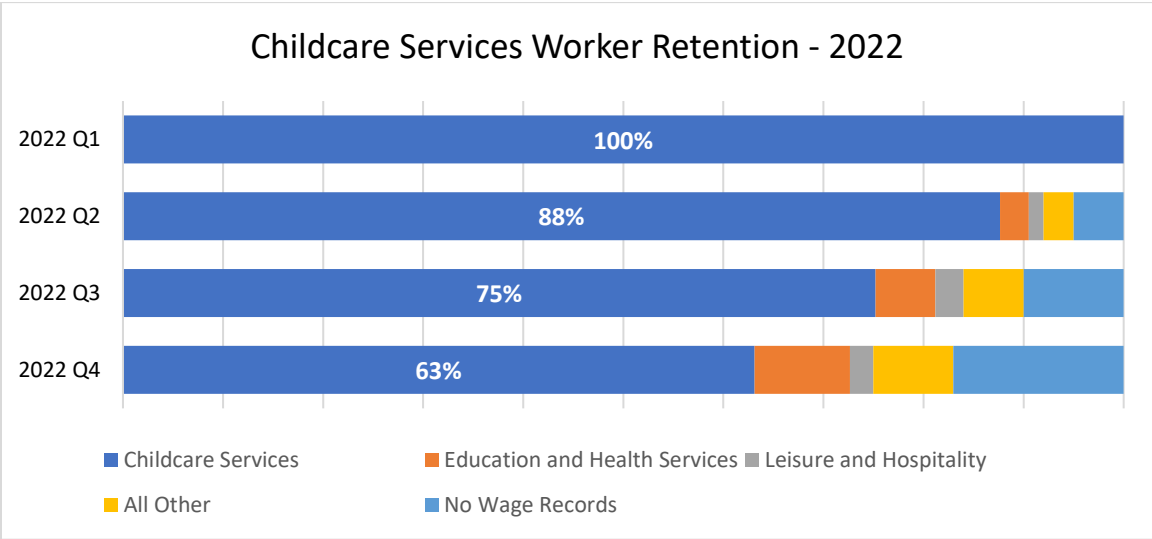
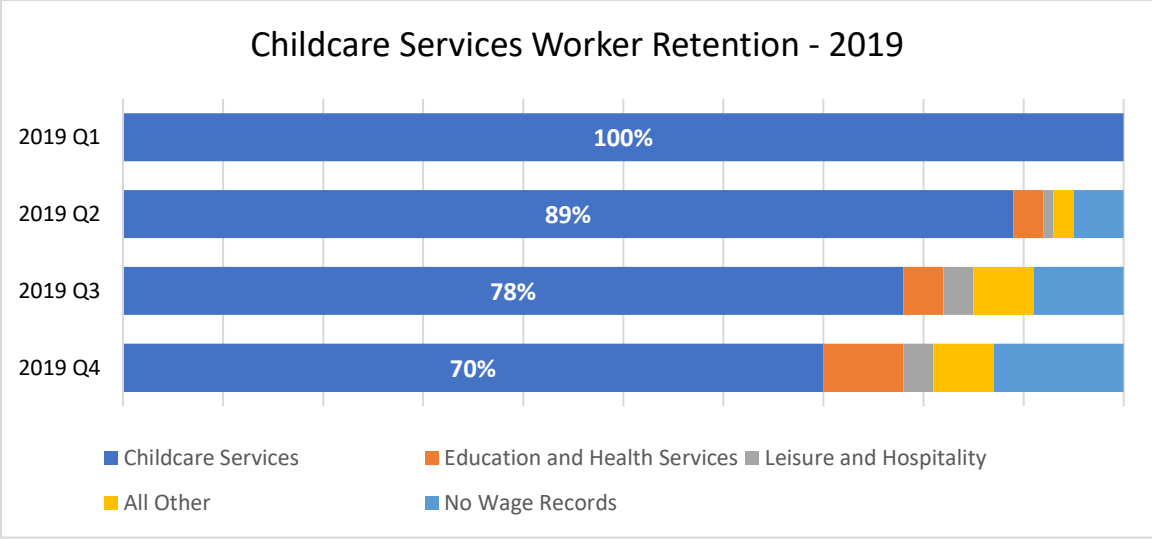
Two cohorts of workers – one from 2019 and one from 2022 – were studied to understand changes in employment dynamics in the industry over time. Using wage records, individuals employed in childcare services in the first quarter of each year were identified and assessed over the following three quarters. Some workers remained employed within childcare services and were classified as “retained” in the industry; other workers left for jobs in other industries or for other reasons.¹

Rates of worker retention were lower in 2022 than in 2019, with the one-year retention rate declining from 70 to 63 percent. This trend is not unique to childcare services; during this time, many industries experienced lower retention rates due to competitive labor market conditions with low unemployment and high numbers of job openings. Within childcare services, a higher prevalence of younger workers also contributed to reduced worker retention.

Workers who left childcare services for another industry tended to be employed in other educational and health care services industries or the leisure and hospitality sector. Workers who moved into the education and health services sector may have sought career or wage growth opportunities in occupations with similar educational and experience requirements.²

¹ Wage records from all quarters of 2019 and 2022 were used in this analysis. Groups of workers whose primary employer, or the employer that paid the highest wages, was in the childcare services industry in the first quarter of each year were selected. For all time periods, workers with at least \$500 in total wages in a quarter were included.

² Both cohorts of workers have an increasing share of people with no wage records throughout the year. These workers are not necessarily unemployed, and this trend would be expected in any given year. These individuals may have moved out of Maine, pursued educational opportunities, or found employment or started a business not covered by unemployment insurance tax law.



Retention Rates and Industry Switching by Wage Levels

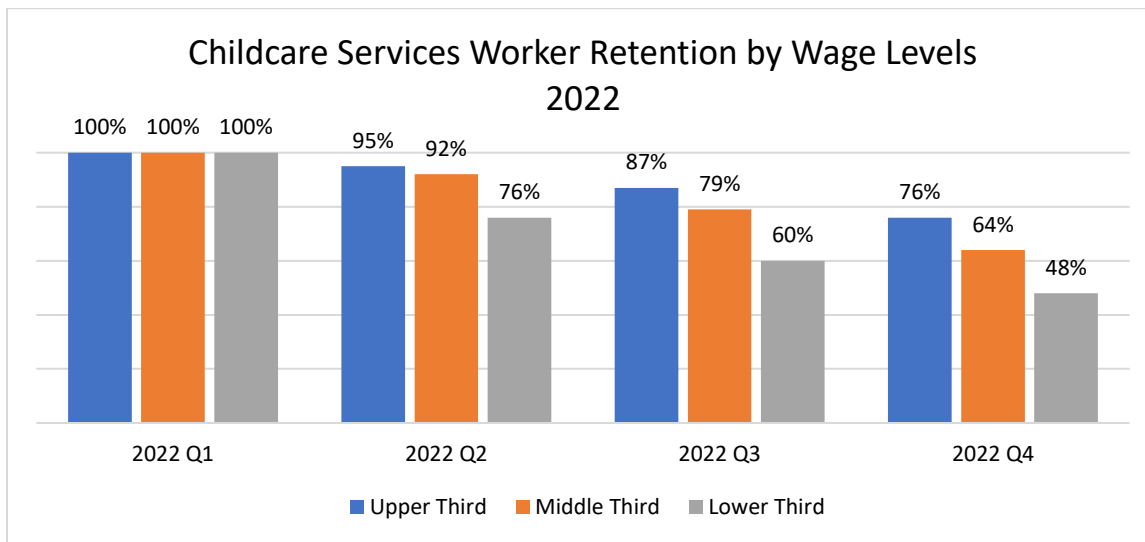
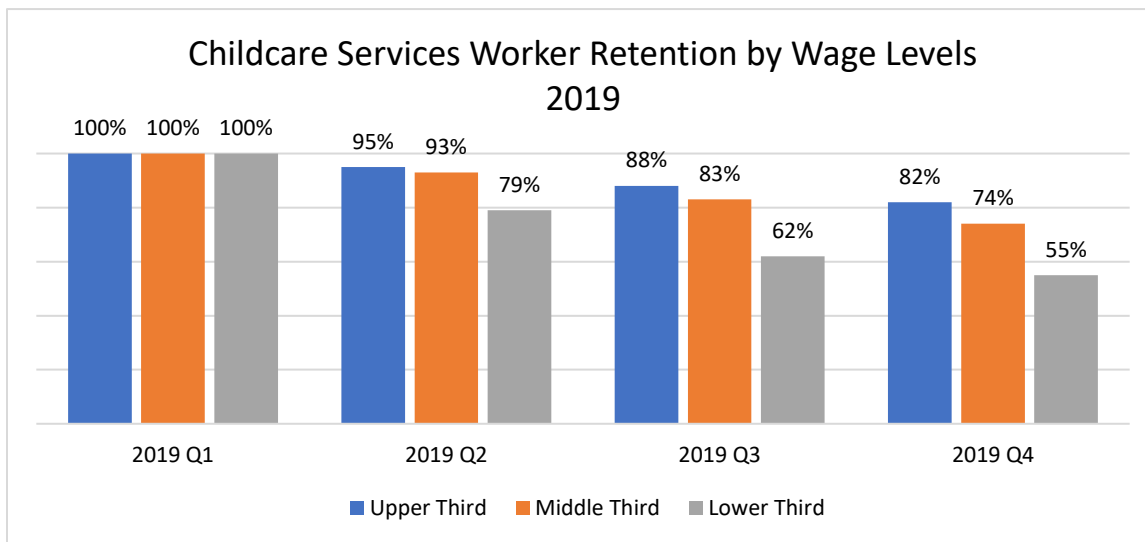
Lower wage workers were more likely to leave childcare services, but retention rates for both higher and lower-wage workers declined between 2019 and 2022.

The childcare services industry employs workers in a variety of roles, but three occupations represent a prominent share of staff: childcare workers, preschool teachers, and preschool or daycare administrators. Average hourly wages for these occupations increase with a role’s complexity and educational and experience requirements. Lower wage industries or occupations tend to have lower worker retention while higher paying occupations that require specialized training or formal education retain workers at higher rates.

To examine worker retention by earnings levels, individuals from the 2019 and 2022 cohorts described above were divided into three equally sized groups based upon their first quarter wages in each year.

All three groups had lower retention rates in 2022 than in 2019, but lower wage workers were less likely to remain employed in childcare services than higher earners. The highest wage workers remained employed in the industry at the highest rates: 82 percent in 2019 and 76 percent in 2022. In both cohorts, workers who earned the lowest wages were also the least likely to remain employed in the industry, with retention rates of 55 percent in 2019 and 48 percent in 2022.

Younger, less established workers are more likely to be included in the lower earnings groups, and as previously discussed, are more likely to either shift industry sectors, to pursue a full-time educational program, or to move out of state.



Workers who left childcare services tended to be employed in health care and social assistance, educational services, accommodation and food services, and retail trade. Workers of all wage levels moved into these industries although at differing rates. Nearly 40 percent of the highest earners who left childcare found employment in health care and social assistance, compared to 28 and 26 percent for lower earners. The lower and middle wage groups were slightly more likely to find new employment in accommodation and food services or retail trade, both of which typically have lower educational and experience requirements.

Percent of Industry Switchers by Wage Level			
Industry of Employment - 2022 Q4	Lower Third	Middle Third	Upper Third
Health Care and Social Assistance	28%	26%	40%
Educational Services	18%	20%	19%
Accommodation and Food Services	14%	10%	8%
Retail Trade	12%	13%	5%
All Other Industries	28%	31%	28%

Key Takeaways

- The childcare services industry experienced significant job growth in 2021 and 2022 following job losses in 2020. Employment levels are now comparable to 2019.
- The childcare services workforce has become younger as a competitive labor market provided opportunities for experienced workers to change careers, contributing to lower rates of retention.
- Workers who left childcare services tended to find employment in other health care and social assistance industries or educational services.
- Workers who earned comparatively lower wages, who may also be younger, were more likely to leave childcare services than higher wage earners as they sought other professional or educational opportunities.