George Mateyo, Chief Investment Officer

Carefully designed protocols combined with experimentation and adaptability are essential.

Seventy-seven million. That’s the number of Americans (mostly children) enrolled in school. Of this total, three-quarters attend elementary, middle, and high schools, and 20 million others are enrolled in a college or university. On top of that, another 3.7 million Americans are teachers (kindergarten through high school). Several million more are school administrators, support staff, and other essential personnel who keep our educational system working.

These students, educators, and staff members intermingle in over 98,000 public schools, 35,000 private schools, and just under 7,000 post-secondary institutions across the US. In short, the education sector is an essential part of our society and a large driver of our economy — one with significant short-, intermediate-, and long-term impacts.

In March, following the coronavirus’s initial outbreak, many educational institutions quickly suspended in-person learning and rapidly pivoted to online education. This dramatic step replicated throughout the world to such an extent that, by early April, an astonishing 1.5 billion young people were educated from home.

Since then, schools have been in deep deliberations over whether to reopen in the fall. Sadly, on this issue, divisions have formed, creating unnecessary and unproductive confusion.

On the one hand, several leading physicians, including over 1,500 members of the United Kingdom’s Royal College of Pediatrics and Child Health, believe that continued closures risk “scarring the life chances of a generation.” Meanwhile, others fear a high probability of rapid community spread if schools are permitted to reopen too soon.

Adding to the disorder is that we are also still debating many essential elements of the virus itself, namely its severity and transmission. And as proven recently by surging cases across parts of the US, we’ve both underestimated and overestimated the virus in a relatively short period.

Moreover, countries that have already reopened schools are reporting inconsistent results. Some countries that adopted stringent measures, including social distancing (even during lunch and recess), protective face gear (including Plexiglas shields at individual desks), and frequent health-monitoring protocols, have experienced few outbreaks. In contrast, others that have imposed similar measures have seen cases rise. Accordingly, school administrators will likely need to adopt a wide array of measures tailored to fit their circumstances best and be willing to adapt quickly. Flexibility and creativity will be critical.

Added resources will also be needed. This subject is especially timely as Congress returns to session this week to address another fiscal relief package. Aid to state and local governments is at or near the top of most policymakers’ list, and while the legislative process is prone to backsliding and delay, we believe a deal will ultimately get done.
As a result, we are cautiously optimistic (both as parents and as investment strategists) that schools will open this fall. That said, we reiterate our oft-stated view concerning COVID-19 that there are many known unknowns. These uncertainties may only compound by the fact that the cold/flu season will inevitably return as temperatures for much of the country fall.

Furthermore, there is much at stake. For instance, the back-to-school season is second in importance to most retailers, behind only the all-important year-end holiday season. Additionally, in a recent survey of corporate human resources managers, nearly one in four respondents cited a lack of adequate childcare options as a reason behind people’s difficulty in returning to the office. This finding was corroborated by data from the Bureau of Labor Statistics, which revealed that the number of Americans who want to work but are unemployed or underemployed because of insufficient childcare options or other related reasons has soared to all-time highs. Further suppression of economic activity will occur if these trends continue.

Finally, as referenced at the beginning, the education sector is a critical component of our economy. If it were to experience significant disruption — turmoil beyond what is already occurring with respect to online learning and other new competitive threats — the economy would surely feel such reverberations.

In short, thoroughly designed procedures balanced by adaptability, experimentation, inclusivity, and innovation are hallmarks of America’s educational system. In the COVID-19 era, these attributes are needed now more than ever.

For more information, please contact your Key Private Bank Advisor.