

# Female Labor Force Participation Is Key to Our Economic Recovery

Policymakers and business leaders must partner to address the child care crisis and return women to work



## Acknowledgements

**Council for a Strong America** is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be successful, productive members of society.

**ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

*Supported by tax-deductible contributions from foundations, individuals, and corporations*

**Major funder:** The David & Lucile Packard Foundation.

**Authors:**

Sandra Bishop, Ph.D., Chief Research Officer

Dianne Browning, Federal Policy Director

Barry Ford, President & CEO

**Contributors:**

Nancy Fishman, Co-Global Director

Daniel Frank, Co-Global Director

Tom Garrett, Communications Director

Mariana Galloway, Art Director

July 2021

©2021 Council For A Strong America. All Rights Reserved.





## Summary

The COVID-19 pandemic has disproportionately impacted women's employment, with female workforce participation at its lowest rate in more than 30 years. Returning women to work is key to our nation's economic recovery. Lack of child care was an important driver of women exiting the workforce, as both schools and child care providers closed, and many mothers left work to care for their children. A new ReadyNation national survey of more than 400 senior business leaders found that, while about two-thirds of employers are likely to expand child care supports offered to their employees post-COVID, many cited barriers to doing so. More than three-quarters of respondents said that federal or state government incentives, including tax credits, would increase the likelihood that their company would expand the child care supports offered to employees. However, businesses alone cannot solve

“ Access to quality child care is key to women returning to work, especially in hospitality and tourism industries, which boast a significant female labor force.”



**Thomas J. Baltimore, Jr.**  
Chairman and CEO  
Park Hotels & Resorts

the child care crisis. Employer incentives must be coupled with robust public investments, including subsidies to families with low incomes and direct assistance to child care providers. For our economy to stabilize and thrive, access to affordable, quality child care for working families must be a paramount concern. Business leaders and policymakers must partner to address the child care crisis and return women to work.

### **COVID-19 has disproportionately impacted the female workforce**

Unlike previous recessions, during the pandemic, female labor force participation has dropped substantially more than that of males,<sup>1</sup> leading some to label this downturn a “shecession.”<sup>2</sup> During the period from February 2020 to February 2021, 2.4 million women left the workforce, compared to 1.8 million men.<sup>3</sup> This represents a drop in labor force participation of 3.1 percent for women versus 2.1 percent for men. Female labor force participation is at its lowest rate since 1988, even lower than it was during the Great Recession.<sup>4</sup>

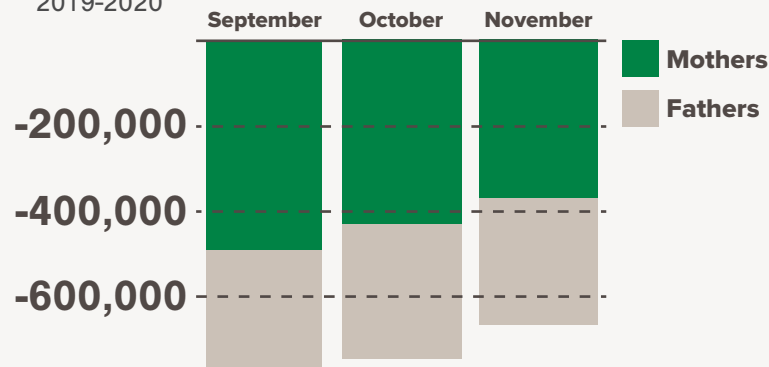
Although employment rates have increased in recent months,<sup>5</sup> women still lag behind men, and projections indicate that female employment may not rebound to pre-pandemic levels until late 2024, 18 months later than projected for males.<sup>6</sup>

The pandemic disproportionately impacted the employment of certain subgroups among women. These subgroups included women of color, those with lower levels of education, and those in low-wage jobs.<sup>7</sup> Many of these women performed essential jobs during the pandemic, providing vital infrastructure services and keeping the economy running. The pandemic also hit women with children especially hard, with

approximately one million mothers leaving the workforce, compared to half that number of fathers.<sup>8</sup> Mothers without partners had the sharpest drop in employment among parents.<sup>9</sup> In one survey, 82 percent of mothers leaving the workforce reported that they could not afford to do so.<sup>10</sup>

### **Parents with children under age 5 leaving the workforce during COVID**

Year over year decline in parents' labor force participation, 2019-2020



Source: Center for American Progress

### **Female labor force participation is key to economic recovery**

The female exodus from the workforce has affected businesses and the economy. As governments lift COVID-19 restrictions across the country, there have been reports of labor shortages.<sup>11</sup> As the economy added fewer jobs than expected in April 2021, raising concerns of economic stagnation, all of the job gains went to men, while the number of women working or looking for work dropped.<sup>12</sup>

Long-term, the importance of female labor force participation for the economy is clear. Until COVID, women, particularly college-educated women, had driven the post-

Great-Recession recovery in labor force participation.<sup>13</sup> Conversely, slower growth in female labor force participation accounted for an estimated 70 percent of the slowdown in employment growth during previous recoveries.<sup>14</sup> Research also shows that there is a relationship between women's participation in the labor force and national GDP.<sup>15</sup> **In the US, female labor force participation contributes \$7.6 trillion to the GDP every year,**<sup>16</sup> and a recent study by the San Francisco Fed found that equalizing male and female employment could have increased the US GDP by close to \$500 billion over a decade.<sup>17</sup> A volume by the Brookings Institution reviewed economic research illustrating that the US economy will not reach its potential unless women are able to fully participate in the labor market.<sup>18</sup> The female exodus from the workforce bodes ill for our national economy.

### **Lack of child care is an important driver of women exiting the workforce**

Several factors underlie COVID-19's disproportionate impact on female labor force participation. Women are more likely to work in service jobs (child care, retail, etc.) that were both harder-hit during the pandemic<sup>19</sup> and not conducive to working from home.<sup>20</sup> In addition, women typically bear the brunt of child care responsibilities; early in the pandemic, women were four times more likely than men to indicate that caring for children kept them from working,<sup>21</sup> as both schools and child care providers closed. Thirty-five states across the nation have experienced a rising number of parents leaving the workforce due to child care problems, with an average increase of 36 percent.<sup>22</sup> In December 2020, lack of child care was the third-most-reported reason for unemployment, following being

laid off or having one's employer experience a reduction in business.<sup>23</sup> By spring 2021, nearly 15 percent of all women ages 25 to 44 were not working due to problems with child care (versus two percent of similar-aged men).<sup>24</sup>

### **The child care crisis is hindering economic recovery**

The effects of the pandemic have transformed the existing child care crisis into a potential catastrophe that impacts working families and businesses in nearly every sector. A recent report concluded: **"The crumbling child care industry is increasingly holding back economic recovery across the country."**<sup>25</sup>

Early in the pandemic (April 2020), 60 percent of child providers (of all types) were closed, at least temporarily.<sup>26</sup> Providers remaining open typically operated at reduced capacity or for fewer hours, reducing the supply of care.<sup>27</sup>

Over the course of the pandemic, the child care sector has lost one in six workers, for a total of nearly 167,000 jobs lost.<sup>28</sup> This loss will further impair a sector that cannot meet the overwhelming demand for its services. Nearly one-third of American parents already reported having difficulty finding affordable, quality child care prior to the pandemic,<sup>29</sup> and half of American families live in a child care desert, where there are at least three children for every licensed child care slot.<sup>30</sup> Even when care is available, it is often unaffordable: the average annual cost of center-based child care for infants is more than the average cost of public college tuition and fees in 30 states and the District of Columbia.<sup>31</sup>

This lack of affordable, quality child care harms working parents by preventing them from being able to go to work with the necessary peace-of-mind to be focused,



productive employees. Employers also suffer from workers' lower productivity and increased turnover. A 2019 ReadyNation study examining the nation's child care crisis, just for infants and toddlers, described the dire economic consequences: a staggering annual cost of \$57 billion in lost earnings, productivity, and revenue.<sup>32</sup> COVID-19 has almost certainly increased these costs.

## **How can businesses help address the child care crisis? A ReadyNation survey**

To further explore the issues described above and to examine potential solutions, ReadyNation commissioned a national survey of 408 senior business leaders in June, 2021. Respondents reflect a representative sample of executives at companies with at least \$5 million in annual revenue and at least 100 employees.

### **Impact of COVID-19**

Employers reported various **workforce disruptions** due to the pandemic:

- 54 percent said employees worked fewer hours;
- 47 percent reported difficulties filling open positions;
- 43 percent reported employees leaving the workforce temporarily;
- 23 percent reported employees leaving the workforce permanently.

Further, 30 percent of employers stated that employees cited child care issues as a reason for employment changes.

### **Supports businesses were offering pre-COVID-19**

Prior to the pandemic, the parental supports employers offered most often were predictable work hours/schedules and flexible work schedules, with two-thirds of employers

offering these supports. Slightly more than half of employers offered paid parental leave, and slightly less than half mentioned federal and state employer tax credits. Other supports were only offered by one-third or fewer of employers surveyed (dependent care accounts, child care resource and referral services, subsidies, sick child care, contracts with community providers, on-site child care, bringing baby to work, and back-up child care).

Further, about two-thirds of employers responding believe that offering these family and child care supports increases employee retention and productivity. More than half believe these supports reduce absenteeism and increase their ability to recruit a talented workforce.

### **Plans post-COVID-19**

In the next year or post-COVID, about two-thirds of employer respondents are somewhat (36 percent) or very (35 percent) likely to expand child care supports offered to their employees.

### **Barriers to expanding child care supports**

When asked about barriers to expanding child care supports offered to employees:

- 30 percent of employers said that their company already did enough;
- 30 percent cited a lack of resources;
- 25 percent said they were not sure which options would best support their employees' needs;
- 24 percent said that their employees did not need more supports;
- 20 percent said they were not sure of their employees' needs;
- 17 percent reported not knowing what child care options were available;
- 16 percent said that child care was not the employer's responsibility.



## Policies to help employers support employees' child care needs

Percentage of employers responding that policy would be extremely or very helpful:

Federal tax credit to employers for setting up dependent care accounts;.....	<b>75%</b>
increase the tax credit for employer contributions and the cap of employee pre-tax contributions	
Increase employer state tax credit for qualified child care expenditures.....	<b>73%</b>
Sustain/ increase investments in CCDBG funding for child care subsidies.....	<b>70%</b>
Update and clarify the employer general federal tax credit for employer.....	<b>69%</b>
qualified child care expenditures (remove \$150,000 cap)	
Capital funding for construction of on-site child care facilities.....	<b>64%</b>
State technical assistance to employers developing child care plans.....	<b>64%</b>
State consultation to determine impact of child care availability on businesses.....	<b>62%</b>
Small Business Administration financial training and supports for child care.....	<b>60%</b>
providers, including employers as mentors and trainers	

## **Policymakers must partner with business to support employees' child care needs**

When asked about federal or state government incentives, more than three-quarters (76 percent) of employers said that such incentives would increase the likelihood that their company would expand the child care supports offered to employees. Regarding specific policies, more than 60 percent of employers endorsed each of the incentives mentioned in the survey (See table, pg. 7).

Our economy hinges on making child care more accessible and affordable for families with young children. Both government and private-sector employers have vital roles to play. Unprecedented public investments must be coupled with robust employer incentives to build lasting public and private investments in our nation's child care system. Congress should make permanent the recent temporary expansion and refundability of the Child and Dependent Care Tax Credit (CDCTC) and continue sustainably and consistently funding the Child Care Development Block Grant (CCDBG) program, while making additional investments in increasing the supply of quality child care.

Expanding public subsidies to families with low incomes will help them access

quality child care of their choice. Providing direct assistance to child care providers will enable them to develop much-needed infrastructure and to pay living wages to their early care and education staff.

Assisting home-based providers in delivering consistent, quality care will strengthen the foundation of the child care system. Significant public investments, such as these, are required to increase the supply of quality child care, enable our labor force to thrive, and allow our economy to flourish.

Businesses have a role to play and they must play a more active role. However, businesses alone cannot solve the child care crisis. About half of US private sector employees, approximately 60 million people, work for small businesses<sup>33</sup> who might not have the resources to meet their employees' child care needs on their own.<sup>34</sup>

Employer investment in employee child care would be fostered by updating the federal tax code, modernizing flexible spending accounts, providing federal incentives to states and businesses to connect employers and providers, and supporting new child care businesses, particularly in areas lacking child care options or where child care in non-traditional hours is unavailable.

## **Conclusion**

For our economy to stabilize and thrive, access to affordable, quality child care for working families remains a necessity. Business leaders and policymakers must partner to address the child care crisis and return women to work.



## Endnotes

- 1** Georgetown Center on Education and the Workforce. (2020, June 24). Women bear the brunt of the COVID-19 recession. <https://medium.com/georgetown-cew/women-bear-the-brunt-of-the-covid-19-recession-1ea534703b13> ; American Enterprise Institute. (2020, December). Employment and safety net survey, wave I. <https://www.aei.org/wp-content/uploads/2020/12/Paid-Leave-and-Childcare-During-the-Pandemic.pdf> ; Bureau of Labor Statistics (2021). Table A-1. Employment status of the civilian population by sex and age. <https://www.bls.gov/news.release/empsit.t01.htm>
- 2** New York Times (2020, May 9). Why some women call this recession a ‘Shecession.’ <https://www.nytimes.com/2020/05/09/us/unemployment-coronavirus-women.html>
- 3** Pew Research Center. (2021, April 21). U.S. labor market inches back from the COVID-19 shock, but recovery is far from complete <https://www.pewresearch.org/fact-tank/2021/04/14/u-s-labor-market-inches-back-from-the-covid-19-shock-but-recovery-is-far-from-complete/>
- 4** BLS Reports (2018, December). Women in the labor force: A data book. <https://www.bls.gov/opub/reports/womens-databook/2018/home.htm>; National Women’s Law Center (2021, February). Another 275,000 women left the labor force in January. <https://nwlc.org/wp-content/uploads/2021/02/January-Jobs-Day-FS.pdf>
- 5** USAFACTS (2021, April 21). Employers added 916,000 jobs in March, twice the job growth of February. <https://usafacts.org/articles/employers-added-916000-jobs-in-march-twice-the-job-growth-of-february/>
- 6** McKinsey & Company (2021, February 3). Achieving an inclusive US economic recovery. <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/achieving-an-inclusive-us-economic-recovery>
- 7** USAFACTS (2021, February 22). Which workers were most affected by job loss in 2020? <https://usafacts.org/articles/which-workers-were-most-affected-by-job-loss-in-2020/> ; USAFACTS (2021, April 21). Employers added 916,000 jobs in March, twice the job growth of February. <https://usafacts.org/articles/employers-added-916000-jobs-in-march-twice-the-job-growth-of-february/>
- 8** Congressional Budget Office (2021, February). Additional information about the economic outlook: 2021 to 2031 <https://www.cbo.gov/system/files/2021-02/56989-economic-outlook.pdf>
- 9** Pew Research Center (2020, November 24). In the pandemic, the share of unpartnered moms at work fell more sharply than among other parents. <https://www.pewresearch.org/fact-tank/2020/11/24/in-the-pandemic-the-share-of-unpartnered-moms-at-work-fell-more-sharply-than-among-other-parents/>
- 10** University of Oregon RAPID-EC. (n.d.). Mothers of young children speak on work during the pandemic <https://www.uorapidresponse.com/mothers-of-young-children-speak-on-work-during-the-pandemic>
- 11** Washington Post (2021, May 5). White House grapples with reports of labor shortage. <https://www.washingtonpost.com/us-policy/2021/05/05/labor-shortage-inflation-white-house/>
- 12** Washington Post (2021, May 7). It’s not a ‘labor shortage.’ It’s a great reassessment of work in America. <https://www.washingtonpost.com/business/2021/05/07/jobs-report-labor-shortage-analysis/>
- 13** Federal Reserve Bank of Kansas City (2019, December 18). Women are driving the recent recovery in prime-age labor force participation. <https://www.kansascityfed.org/research/economic-bulletin/women-driving-recent-recovery-labor-force-participation-2019/>
- 14** National Bureau of Economic Research (2019, March). Employment growth and rising women’s labor force participation. <https://www.nber.org/digest/mar19/employment-growth-and-rising-womens-labor-force-participation>
- 15** American Enterprise Institute (2020, November 19). Helping moms get back to work. <https://www.aei.org/workforce/helping-moms-get-back-to-work/> ; Washington Center for Equitable Growth (2019, March 22). Women’s History Month: U.S. women’s labor force participation. <https://equitablegrowth.org/womens-history-month-u-s-womens-labor-force-participation/>
- 16** Gallup Workplace (2021, March 5). 7 ways to save your working moms before it’s too late. <https://www.gallup.com/workplace/333185/ways-save-working-moms-late.aspx>
- 17** Federal Reserve Bank of San Francisco. (2021, April). The economic gains from equity. <https://www.frbsf.org/our-district/files/economic-gains-from-equity.pdf> ; cf. S&P Global (2019). Women at work: The key to global growth. <https://www.spglobal.com/en/research-insights/featured/women-at-work-the-key-to-global-growth>
- 18** The Hamilton Project, Brookings Institution. (2017, October). The 51% driving growth through women’s economic participation. [https://www.hamiltonproject.org/papers/the\\_51\\_driving\\_growth\\_through\\_womens\\_economic\\_participation](https://www.hamiltonproject.org/papers/the_51_driving_growth_through_womens_economic_participation)
- 19** Georgetown Center on Education and the Workforce. (2020, June 24). Women bear the brunt of the COVID-19 recession. <https://medium.com/georgetown-cew/women-bear-the-brunt-of-the-covid-19-recession-1ea534703b13>
- 20** USAFACTS (2021, March 26). How has COVID-19 affected mothers in the workforce? <https://usafacts.org/articles/childcare-women-in-the-workforce/>
- 21** Georgetown Center on Education and the Workforce. (2020, June 24). Women bear the brunt of the COVID-19 recession. <https://medium.com/georgetown-cew/women-bear-the-brunt-of-the-covid-19-recession-1ea534703b13>
- 22** Third Way (2021, February 21). Child care in crisis. <https://www.thirdway.org/memo/child-care-in-crisis>
- 23** Third Way (2021, February 21). Child care in crisis. <https://www.thirdway.org/memo/child-care-in-crisis>

- 24** USAFACTS (2021, March 26). How has COVID-19 affected mothers in the workforce? <https://usafacts.org/articles/childcare-women-in-the-workforce/>
- 25** Third Way (2021, February 21). Child care in crisis. <https://www.thirdway.org/memo/child-care-in-crisis>
- 26** Bipartisan Policy Center (2020, April 10). Nationwide survey: Child care in the time of Coronavirus. <https://bipartisanpolicy.org/blog/nationwide-survey-child-care-in-the-time-of-coronavirus/>
- 27** Bipartisan Policy Center (2020, August 26). Child care in COVID-19: Another look at what parents want. <https://bipartisanpolicy.org/blog/child-care-in-covid-another-look/>
- 28** Bureau of Labor Statistics (2020, December). The employment situation. [https://www.bls.gov/news.release/archives/empsit\\_01082021.pdf](https://www.bls.gov/news.release/archives/empsit_01082021.pdf)
- 29** Child care and health in America (2016, October). NPR, Robert Wood Johnson Foundation and Harvard T.H. Chan School of Public Health. [http://www.rwjf.org/content/dam/farm/reports/surveys\\_and\\_polls/2016/rwjf432066](http://www.rwjf.org/content/dam/farm/reports/surveys_and_polls/2016/rwjf432066)
- 30** Center for American Progress (2019, September 16). Early learning in the United States 2019. <https://www.americanprogress.org/issues/early-childhood/reports/2019/09/16/474487/early-learning-united-states-2019/>
- 31** Child Care Aware (2019). The US and the high price of child care. <https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/>
- 32** ReadyNation (2019, January 16). Want to grow the economy? Fix the child care crisis. <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>
- 33** U.S. Small Business Association (2019). 2019 small business profile. <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142719/2019-Small-Business-Profiles-US.pdf> ;
- 34** Encyclopedia of Small Business (n.d.). Child care. <https://www.referenceforbusiness.com/small/Bo-Co/Child-Care.html>





**ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

**Council for a Strong America** is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be successful, productive members of society.

1212 New York Avenue NW / Suite 300 / Washington, DC 20005 / 202.464.7005

