Strong Care Infrastructure Is Critical to Increasing Labor Force Participation and Driving Future Economic Growth

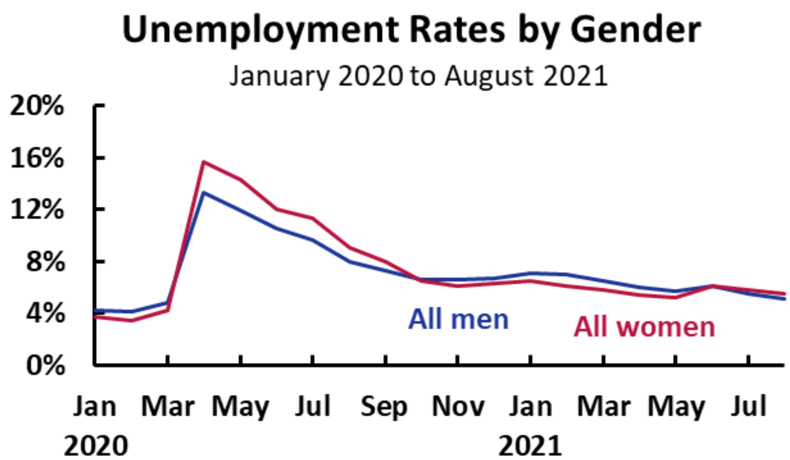
Strong labor force participation is a key input to economic growth, but the labor force participation rate in the United States among both men and women has fallen in recent decades. While women's labor force participation had increased dramatically over the course of the second half of the 20th century as gender norms changed, women pursued more education and wage stagnation necessitated two incomes to support household income, it stalled and even declined after 2000. A critical cause of this decline is the lack of structural support for women's full economic participation.

The coronavirus pandemic shed new light on this problem, as the closure of daycares and the shift to online school combined with labor market losses pushed women's labor force participation rate to its lowest level in 35 years, to 54.6% in April 2020.

Policies now under consideration as part of the Build Back Better Act, namely paid leave and child care, would provide the infrastructure that families need in order to both meet their care needs and participate more fully in the economy. Furthermore, by facilitating greater labor force participation among women, these policies will generate not just stronger economic outcomes for their families but also our entire economy.

The coronavirus pandemic exposed the cost to the economy of not having a robust care infrastructure, pushing women's labor force participation to a 35-year low

The coronavirus pandemic has raised awareness of the consequences of inadequate care infrastructure in a new way. Public health measures to limit the spread of the virus necessitated restricting the operations of some businesses, including child care centers, and moving school online for more than a year for children across the country. Women bore the brunt of both of these measures, both as workers overrepresented in the industries that experienced the greatest job losses and as the members of their families responsible for a greater share of care work.

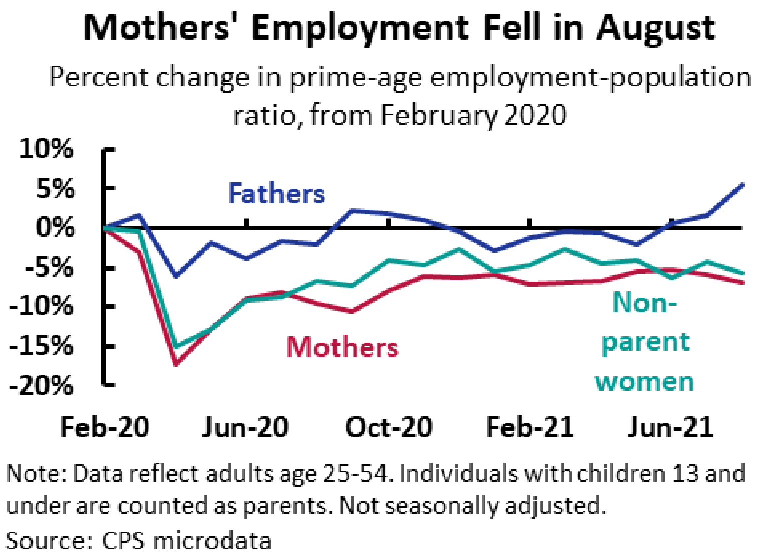


Note: Data reflect the civilian unemployment rate for ages 16+, not seasonally adjusted.

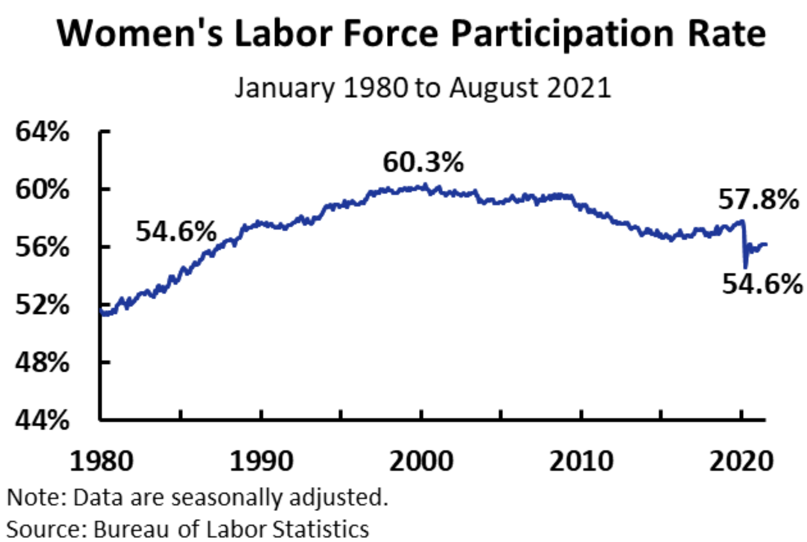
While women make up only 47% of the workforce, they accounted for 55% of the net job loss from the onset of the crisis through December 2020. This was due to women making up a disproportionate share of workers in some of the industries hardest hit by the crisis, such as leisure and hospitality. Black and Hispanic women were particularly hard hit by the coronavirus recession. While Black and Hispanic women together accounted for 14.1% of the total workforce in 2019, they accounted for about one quarter (24.4%) of the total workforce in service occupations. Unsurprisingly, Black and Hispanic women had employment losses of 18% and 24% at the height of the recession in April 2020 relative to February 2020. Although Black and Hispanic women's employment has recovered some, there remain 5% and 6% fewer Black and Hispanic women, respectively, employed compared to before the pandemic.

In addition to losing more jobs, many women also had to drop out of the labor market during the pandemic to meet the care needs of their families, especially for their children. Across race and income, women continue to bear a greater responsibility for providing care in their families. For example, of the nearly 1 in 10 women who said they quit a job due to the pandemic, half said it was because their child's school or daycare was closed.

Labor force participation data showed that after improving over summer 2020, mothers' labor force participation again declined in the fall as children returned to school, while fathers' labor participation did not change significantly. Even this year, with more schools returning to more normal operations, there is an observable decrease in mothers' labor force participation, but not that of fathers or workers without children.

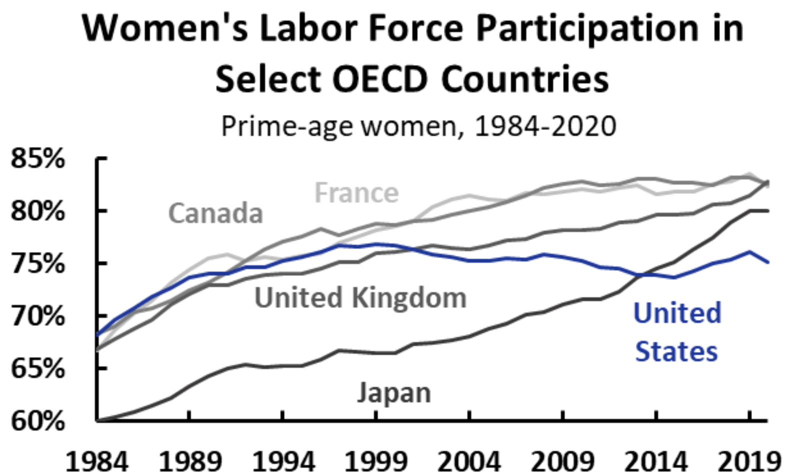


The combination of women's disproportionate share of job losses and greater responsibility for caretaking pushed women's labor force participation rate to the lowest level in 35 years, to 54.6% in April 2020.



Even before the coronavirus recession, U.S. women's labor force participation lagged behind other advanced economies'

Even before the coronavirus pandemic, U.S. women's labor force participation had declined. This was due in part to the lack of a robust care infrastructure that supports families' ability to participate in the labor market while also meeting their family's care needs. After increasing dramatically over the second half of the 20th century, from 37% in 1962 to 60% in 2000, women's labor force participation had declined to 57.8% on the eve of the pandemic. Furthermore, this decline was in contrast to women's labor force participation rates in other peer economies, such as France, Canada and the UK. All had rates similar to the United States 30 years ago, but whereas women's labor force participation in the United States stalled and then declined, it continued to grow in other advanced economies.



Note: Prime age indicates 25-54. Data shown for select OECD countries.
Source: OECD

Economic research has found that 29% of the decrease in U.S. women's labor force participation relative to other advanced economies is due to the lack of policies such as paid leave. This is just one example of why policies like paid leave and child care in the Build Back Better Act are crucial to boosting women's labor force participation, a key driver of future economic growth.

Strong labor force participation by women is key to supporting family economic security and driving economic growth

Boosting women's labor force participation has had a profound and positive impact on individual families' economic condition. As more women entered the labor force over the 20th century, a parallel trend emerged: wages for low-income workers fell and stagnated for middle-income workers. Women's greater participation in the formal labor market has been crucial to making up for this lost household income. Today, two-thirds of mothers in married couples and three-quarters of unmarried mothers are employed outside the home. Policies that support families and women's full participation of women in the labor market, such as paid leave and child care, are crucial to strong, stable economic growth.

Greater participation in the labor market by women also has economy-wide benefits that result in higher wages for men, increased GDP and stronger economic growth. Research by the Federal Reserve Bank of San Francisco found that if the employment to population ratios of women had historically matched that of men, GDP would have been $490 billion higher in 2019. Other analysis by the National Partnership for Women & Families estimates that if the prime-age labor force participation of the United States had kept up with other advanced economies, there would be nearly 4.85 million more women in the workforce. They estimate the economic impact of losing these women from the workforce represents $237 billion in lost wages, which reduces GDP by $650 billion—2.9% of total GDP—every year.

Now is the time to make investments in our care infrastructure to drive future economic growth

The U.S. economy is stronger when everyone is able to fully participate in it. The Build Back Better Act represents a once-in-a-generation moment to make investments in our care infrastructure to ensure families have the support they need to be able to both meet their care needs and participate fully in the labor market. Policies like paid leave and child care are vital to ensuring economic growth that is stronger, stable and more broadly shared.