

Testimony before the Joint Economic Committee

Hearing: Help Wanted: A Stronger Labor Market for Robust Growth

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Chairman Beyer, Ranking Member Lee, and distinguished members of the committee, thank you for the invitation to speak to you today about the state of the labor market and the way in which the government can support an ongoing return to full employment and full participation in the labor market. I am an economist who has spent much of the past three decades trying to better understand women's employment, families, and the way deeply personal decisions about how to organize one's family life are deeply intertwined with decisions about paid work.

The employment landscape in the United States remains in flux. Employers report shortages of workers; quits and the intention to quit have hit record highs; and yet, employment remains well below pre-pandemic levels. Some blame unemployment benefits for keeping workers at home, yet the evidence suggests that simply is not the case. States that ended unemployment insurance early saw no pronounced rebound in employment.<sup>1</sup> Moreover, some industries have made a full return to pre-pandemic employment. In particular, industries that have been largely unchanged by the pandemic, a V-shaped recovery has happen. For example, employment in dental offices fell by more than half in the spring of 2020. Dentist offices began to reopen slowly in May 2020 and by February 2021, employment had nearly returned to its pre-pandemic level. It now exceeds it by 3 percent. And given our shift to online, at-home work, perhaps it is unsurprising that employment in professional and technical services has grown substantially since fully recovering in May 2021.

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<sup>1</sup> Market economists at Goldman Sachs, Bank of America, and Oxford Economics report little impact of ending unemployment insurance benefits on labor supply. "U.S. states ending federal unemployment benefit saw no clear job gains" Howard Schneider, Reuters July 21, 2021 <https://www.reuters.com/world/us/us-states-ending-federal-unemployment-benefit-saw-no-clear-job-gains-2021-07-20/> For a detailed analysis see "Early withdrawal of pandemic UI: impact on job finding in July using Current Population Survey" <https://arindube.com/2021/08/20/early-withdrawal-of-pandemic-ui-impact-on-job-finding-in-july-using-current-population-survey/>

Other industries that have not fully recovered, such as retail trade, have seen the number of jobs held by men more than fully recover to pre-pandemic levels, while jobs held by women remain down 3.5%.

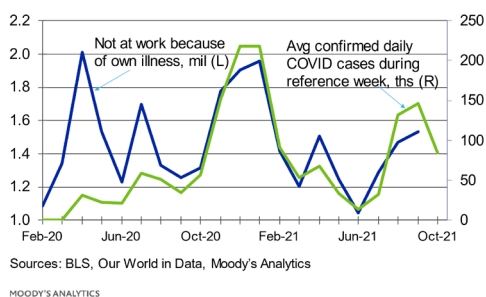
If unemployment insurance is not holding back the labor market, what is? There are three important factors influencing the labor market:

- 1) The ongoing pandemic which shapes the potential health consequences of work, continues to shape demand, and leads to high absences from work
- 2) On-going challenges in combining work and care-giving
- 3) Shifting desires by both consumers and workers that is causing reallocation in the labor market

### *The Ongoing Pandemic*

The ongoing pandemic is shaping people's desire and ability to work and to consume. Data from Morning Consult shows that people's comfort dining indoors peaked in the second week of July 2021, and had declined by nearly 15% by the second week of September.<sup>2</sup> Comfort levels related to flying and indoor entertainment activities have followed a similar path. These comfort levels fell among both vaccinated and unvaccinated individuals.<sup>3</sup>

Calling Out Sick



But perhaps the most telling graph to illustrate how the pandemic impacts employment is to see the strong correlation between the number of Covid cases and the number of people who report not being at work because of their own illness in the monthly jobs report.

### *On-going challenges in combining work and care-giving*

Since the recovery began 17.4 million jobs have been added back as of September 2021. More of these jobs—9.3 million—have gone to women, compared to 8.0 million jobs for men. While women have added back more jobs than men, they bore the brunt of job loss from the very first days of the pandemic.<sup>4</sup> They are more likely to be in positions that require in-person work, as women comprised 77% of private-sector education and health care workers, 53% of leisure

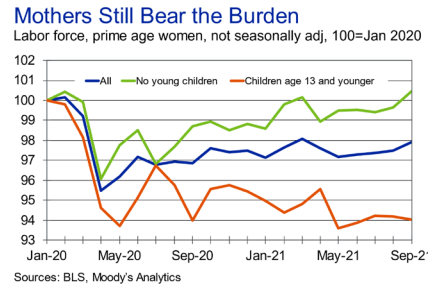
<sup>2</sup> <https://morningconsult.com/return-to-dining/#section-51>

<sup>3</sup> <https://morningconsult.com/2021/08/05/americans-comfort-level-fall/>

<sup>4</sup> See Stevenson, "The Initial Impact of COVID-19 on Labor Market Outcomes Across Groups and the Potential for Permanent Scarring" Hamilton Project Essay 2020-16 [https://www.hamiltonproject.org/assets/files/Stevenson\\_LO\\_FINAL.pdf](https://www.hamiltonproject.org/assets/files/Stevenson_LO_FINAL.pdf)

and hospitality, and 50% of retail trade employees prior to the pandemic. These hardest hit sectors left millions of women unemployed, many of whom left the labor force altogether.

The recovery in women’s jobs paused and even slightly reversed in August and September 2021 as the Delta variant grew along with uncertainty about caregiving needs for children given ambiguity about the regular availability of in-person school. This decline occurred only among mothers with children ages 13 and younger.

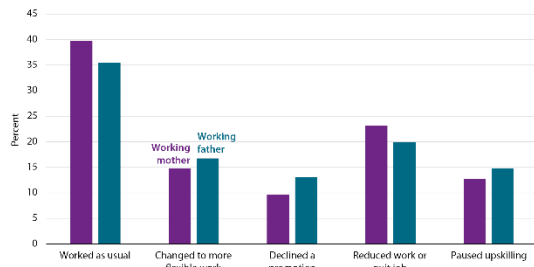


Two out of every three caregivers in the United States are women, providing support not only to children, but also to adults with chronic illnesses or disabilities.<sup>5</sup> As Covid cases rise, so do caregiving needs for those with chronic illnesses who are seeking to avoid Covid and caregiving needs arise for the millions of people who have covid. Most of the people who provide care to adults are of working age, but only roughly half were working prior to the pandemic. A much higher fraction might work under different circumstances. For example, flexibility is crucial among care givers as roughly half of employed adult caregivers report a loss of work time related to their caregiving. Not surprisingly then, a lack of work flexibility is a reason for some adult caregivers to stop working.<sup>6</sup>

Childcare availability cratered for many families during the pandemic and this shaped not only labor force participation, but also many other choices that parents made about work. Many parents have struggled to continue to work as they did before the pandemic.

A survey I conducted with RIWI in early summer 2021 found that 61 percent of working mothers and a slightly larger share of working fathers said that they were unable to work as usual during the pandemic due to childcare responsibilities. This finding is consistent with a

Working Parents' Experiences During the Pandemic



Source: Survey conducted between May 27 and July 7, 2021 using PWT's Random Domain Intercept Technology, a patented machine learning technology that delivers non-biased survey results to 100 users who are actively online. Note: 2,000 working parents completed the survey, out of a random sample of 14,410 adults who were initially surveyed. When users alternate apart one of the hundreds of thousands of domains that PWT over or controls, these random non-biased users are shared through a series of proprietary algorithms to ensure there are no non-human respondents, and instead participate in a survey. PWT's targeted respondents subdivide by county, region, state, and city. Survey participants are accessed on a Web-enabled device, and the technology cannot be blocked by state or national firewalls, cookies, or ad-block technologies. Although PWT schedules and reports the age, gender and geo location of all respondents, no personally identifiable information is ever collected or reported. No incentives are used, and participants can easily exit the survey at any time. Weights are applied to age and gender to get the most recent national census data available, drawn from the US Census Bureau. Respondent weight values are generated post-stratification using a raking algorithm. Weighted data estimates what the nationally representative population perceives.



report by the American Staffing Association (2021) that found that 62 percent of adults with children reported that child-care responsibilities during the pandemic had negative consequences for their career. Nearly a quarter of working mothers reported having switched to part-time work or dropped out of work completely. While fathers were less likely to do so, still fifth of men reported doing so. In addition to dropping out of work completely or cutting hours, parents turned down promotions, changed to a more flexible

<sup>5</sup> Centers for Disease Control and Prevention (CDC). 2021. “Women, Caregiving, and COVID-19.” Health Equity, Centers for Disease Control and Prevention, Atlanta, GA

<sup>6</sup> Betsey Stevenson and Isabel V. Sawhill “Paid Leave for Caregiving: An Introduction” November 2020 AEI-Brookings Paid Leave Project

schedule, and paused their own education or training due to child-care constraints.

Although parents were making clear employment sacrifices, most of these sacrifices do not show up in the data as unemployment, but these choices are likely to affect their employment outcomes for years to come. Parents made more of these sacrifices during the pandemic, but parents have long been forced to choose between family and work. In 2014, a survey found that 49% of parents had passed up a job because it conflicted with family obligations.<sup>7</sup>

Struggles with affordable and consistent child-care are ongoing and continuing to share decisions about whether to work, how much to work, and what types of jobs and tasks to work at. Employment of child-care workers remains 10 percent below pre-pandemic levels as of September 2021, a shortage that impacts the ability of parents to work as fully as they may like.

*Shifting desires by both consumers and workers that is causing reallocation in the labor market*

The combination of record-high levels of quits with record-high levels of employer demand for workers has created a surge in worker bargaining power that is pushing up wages and reallocating workers. However, this is simultaneously happening while some workers continue to experience more-fragile connections to work. The ongoing pandemic has left some workers tenuously connected to work, in nearly every industry, continuous employment has become less likely than it was prior to the pandemic. Indeed, new layoffs as measured by initial claims for unemployment insurance remain elevated compared to prior to the pandemic. The average weekly initial claim for unemployment insurance in October 2021 was 40 percent higher than the average throughout 2019.

A Gallup poll conducted in early August 2021 found that worries about possible job setbacks like being laid off, losing hours, or wage reductions, remain elevated compared to 2019 (Jones 2021). Roughly a third of workers are also concerned about how their work life might change post-pandemic, according to a study by McKinsey (Alexander et al. 2021). Workers are also changing industries and jobs more frequently than they did prior to the pandemic and mothers are more likely than fathers to have changed industries at some point over the past 12 months.<sup>8</sup>

Nearly half of working parents want to be able to work from home according to a survey I did with RIWI in the summer of 2021. A McKinsey and Company study (Alexander et al. 2021) found that 28 percent of US workers in corporate or government settings are likely or very likely to quit if they are required to go back to full-time work in person. A survey by PwC (2021) found that 55 percent of workers prefer to be remote at least three days a week,

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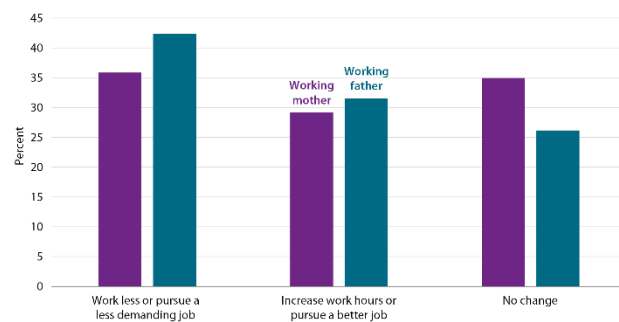
<sup>7</sup> Harris Poll of 4,096 U.S. adults conducted online May 27-30, 2014. Reported in “Eleven Facts about American Families and Work” October 2014 Report of the Council of Economic Advisers  
[https://obamawhitehouse.archives.gov/sites/default/files/docs/eleven\\_facts\\_about\\_family\\_and\\_work\\_final.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/eleven_facts_about_family_and_work_final.pdf)

<sup>8</sup> Stevenson, “Women, Work, and Families: Recovering from the Pandemic-Induced Recession” Hamilton Project Economic Analysis September 2021

Perhaps most notable is that in every survey fathers are seeking family friendly changes in their employment at roughly similar rates to mothers. During the pandemic, fathers have gained more in terms of satisfaction with the amount of time they had with their children (Barroso, 2021). The experience of more-intense parenting for fathers during the pandemic may be part of the impetus for why fathers are more likely than mothers to plan to make an employment change.

In fact, only 26 percent of fathers report planning to continue working as they did prior to the pandemic. A quarter of fathers want to reduce their work hours, while an additional 17 percent

Working Parents' Expectations for the Future



Source: Survey conducted between May 27 and July 7, 2021 using RWI's Random Domain Intercept Technology, a patented, machine-learning technology that delivers anonymous opt-in surveys to Web users who are surfing online. Note: 2,550 working parents completed the survey, out of a random sample of 14,410 adults who were initially surveyed. When users stumble upon one of the hundreds of thousands of domains that RWI owns or controls, these random, non-incentivized users are filtered through a series of proprietary algorithms to ensure there are no non-human respondents, and invited to participate in a survey. RWI geo-targets respondents automatically by county, region, state, and city. Survey participants are accessed on all Web-enabled devices, and the technology cannot be blocked by state surveillance or Internet control, nor is it susceptible to ad-block technologies. Although RWI collects and reports the age, gender, and geo-location of all respondents, no personally identifiable information is ever collected or reported. No advertisements are used, and participants can easily exit the survey at any time. Weights are applied to age and gender as per the most recent national census data available, drawn from the US Census Bureau. Respondent weight values are generated post-stratification using a raking algorithm. Weighted data estimates what the nationally-representative population perceives.



want to pursue a less-demanding career. Mothers are also seeking a change, with only 35 percent of mothers planning to continue working as before (figure 6). Indeed, 22 percent of mothers plan to reduce their work hours and 13 percent want to find a less-demanding job. Fewer mothers—only 15 percent—want to work more hours, while 14 percent want to pursue a better career. As the labor market tightened in 2019, many employers were turning to greater flexibility to lure workers to take positions. These trends will likely accelerate in 2021 and 2022 as workers feel emboldened to demand better working conditions.

## Policy Solutions to Improve the Labor Market

The monthly change in the number of jobs in the economy holds our attention, but underneath this net change are millions of people who leave jobs and millions who start jobs. Similarly, each month there are millions of people who leave the labor force and millions of people who enter it. In order to increase the labor force participation rate, policy should attempt not just to entice people into the labor force but must endeavor to make it easier for them to remain in the labor force.

Research has shown that a strong labor market helps people get into jobs, and once workers are in a job they are at a lower risk of leaving the labor force.<sup>9</sup> An economic recovery therefore leads to a gradual rise in labor force participation not by increasing the flow of people into the labor force but by increasing employment stability: getting people into jobs that they will then stay in. This research points to the fact that it is easier to keep people in jobs and attached to the labor force than it is to reengage them once they have exited the labor force. Stronger policies to support care giving needs can do both, however too often the important role of policies like childcare, eldercare, and paid leave in keep people in the labor force continuously attached to the labor force is overlooked. And yet these policies due just that: they reduce the flow of employed workers out of the labor force.

<sup>9</sup> Bart Hobijn and Aysegul Sahin “Maximum Employment and the Participation Cycle” Prepared for the 2021 Jackson Hole Symposium

## *Paid Leave*

In 1993 Congress recognized the changing demographics of the U.S. labor market when it passed the Family and Medical Leave Act. In the 25 years prior to its passed women's labor force participation had surged from 41.6 to 57.9 percent. Women's labor force participation continued to grow in the 1990s, peaking at 60 percent in 1999. The passage of FMLA helped the United States stay among the top countries in the OECD in terms of female labor force participation in the 1990s. As we entered the 21<sup>st</sup> century, the United States ranked 6<sup>th</sup> among OECD countries in female labor force participation.<sup>10</sup>

However, other countries also saw the need for increased support for families in order for women to participate to their fullest potential in the labor force. Countries expanded paid maternity and paternity leave, they added increased support for early childhood learning and childcare, and they added policies to promote other family-friendly workplace policies such as a right to request a flexible workplace. The result is that today the United States lags most other OECD countries at a ranking of 23 in female labor force participation.

Changing family patterns, growth in female employment, and improvements in health and life expectancy have all increased the need for workers to have the income support and job security necessary to take time away from work to care for their own health needs or those of a loved one. And yet the current patchwork of voluntary employer decisions to offer paid leave plus a handful of state paid leave programs has created glaring gaps in access to leave. Lower and middle income workers are less likely to have access to paid leave. Differences in access to paid and unpaid leave raise clear racial equity issues for both adults and children.

Research has made three facts clear about paid leave:

- 1) Paid leave increases retention of workers. It increases the likelihood that women will remain employed after having a child.
- 2) The vast majority of businesses report either a positive effect or no noticeable effect of paid leave policies.
- 3) Children benefit from time to bond with a new parent, leading to higher lifetime wages and therefore ultimately greater a stronger economy.

### 1) Evidence of Paid Leave on Women's Employment

Research comparing female labor force participation among OECD countries found that prime-age women's labor force participation in the U.S. could be up to 7 percentage points higher if the U.S. offered the same types of parental leave and caregiving policies as the typical OECD country offers.<sup>11</sup> Caregiving demands decrease both the likelihood of work and the number of

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<sup>10</sup> OECD 2020, LFS Sex and Age Indicators , Labor Force

Survey, [https://stats.oecd.org/Index.aspx?DataSetCode=lfs\\_sexage\\_i\\_r#](https://stats.oecd.org/Index.aspx?DataSetCode=lfs_sexage_i_r#) , October 25, 2021

<sup>11</sup> Blau & Kahn ([American Economic Review: Papers and Proceedings, 2013](#)); In 2019, four in ten family households in the United States had children under 18, and all parents were employed in nearly 70 percent of these households ([Bureau of Labor Statistics, 2019](#)).

hours worked by women, and these effects grow as the hours of care needed increases.<sup>12</sup> Reduced labor supply due to caregiving has both short- and long-term negative effects on women's earnings, as women lose current earnings *and* find themselves on a permanently lower earnings trajectory.<sup>13</sup>

Women who get access to paid maternity leave are more likely to stay in the labor force. Research on the adoption of California's paid leave plan found that it led to an almost 10 percent increase in the weekly hours and pay of employed mothers.<sup>14</sup> Other research examined how California's policy impact hours worked by a spouse when their spouse developed a chronic health condition or disability, finding that the availability of paid leave in California reduced the likelihood of a decrease in work hours by the potential caregivers.<sup>15</sup> Other research examining similarly finds positive retention effects from state paid leave plans.<sup>16</sup>

## 2) Evidence of Paid Leave on Business

Many businesses already must provide unpaid leave to workers for family and medical reasons as covered by the Family and Medical Leave Act. The cost to employers of a federal paid leave benefit is the potential for workers to be more likely to use leave when that leave is partially paid. Research has shown that most business concerns regarding paid leave have not come to fruition when states adopt paid leave plans—partially because the update in paid leave is not as great as is feared and partially because employee absence among employees who would otherwise be distracted with their caregiving needs is not as burdensome as anticipated. Researchers surveying businesses after the adoption of the California paid leave plan found that the vast majority found the policy to have either a positive or no noticeable effect.<sup>17</sup> Small businesses were the least likely to report any negative effects of the policy.

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<sup>12</sup> Maestas et al., ([RAND Corporation, 2017](#)); Truskinovsky & Maestas ([Innovation in Aging, 2018](#)); Johnson & Lo Sasso ([The Journal of Health Care Organization, Provision, and Financing, 2006](#)); Van Houtven, Coe & Skira ([Journal of Health Economics, 2013](#)); Fahle & McGarry ([Innovation in Aging, 2018](#))

<sup>13</sup> Goldin & Katz ([American Economic Review, 2008](#)); Bertrand, Goldin & Katz ([American Economic Journal: Applied Economics, 2010](#))

<sup>14</sup> Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. "The effects of California's paid family leave program on mothers' leave-taking and subsequent labor market outcomes." *Journal of Policy Analysis and Management* 32, no. 2 (2013): 224-245.

<sup>15</sup> Priyanka Anand, Laura Dague & Kathryn L. Wagner, The Role of Paid Family Leave in Labor Supply Responses to a Spouse's Disability or Health Shock, NBER Working Paper 28808. May 2021.

<https://www.nber.org/papers/w28808>; Joelle Saad-Lessler and Kate Bahn, The Importance of Paid Leave for Caregivers: Labor Force Participation Effects of California's Comprehensive Paid Family and Medical Leave. Center for American Progress. Sept. 2017. <https://www.americanprogress.org/issues/women/reports/2017/09/27/439684/importance-paid-leave-caregivers/>

<sup>16</sup> Linda Houser and Thomas P. Vartanian, Pay Matters: The Positive Impacts of Paid Family Leave for Families, Businesses and the Public. Rutgers, the State University of New Jersey Center for Women and Work Publication. Jan. 2012. <https://www.nationalpartnership.org/our-work/resources/economicjustice/other/pay-matters.pdf>; Linda Houser and Thomas P. Vartanian. Policy Matters: Public Policy, Paid Leave for New Parents, and Economic Security for U.S. Workers. Rutgers, the State University of New Jersey Center for Women and Work Publication. April 2012. [http://go.nationalpartnership.org/site/DocServer/RutgersCWW\\_Policy\\_Matters\\_April2012.pdf](http://go.nationalpartnership.org/site/DocServer/RutgersCWW_Policy_Matters_April2012.pdf)

<sup>17</sup> Appelbaum, Eileen, and Ruth Milkman. "Leaves that pay: Employer and worker experiences with paid family leave in California." *EPRN* (2015).

Table 1. Employer Assessments of PFL's Effects, by Number of Employees, 2010

"No noticeable effect" or "positive effect" on:	Less than 50 Employees	50-99 Employees	100+ Employees	All Employer Respondents
Productivity	88.8%	86.6%	71.2%	88.5%
Profitability/Performance	91.1%	91.2%	77.6%	91.0%
Turnover	92.2%	98.6%	96.6%	92.8%
Morale	98.9%	95.6%	91.5%	98.6%

N = 175  
 Note: The number of employees shown refers to the stratum of firms from which the establishment was drawn and in some cases may not match current firm size due to the effects of the 2008-2009 recession.

Source: Appelbaum, Eileen, and Ruth Milkman. "Leaves that pay: Employer and worker experiences with paid family leave in California." *EPRN* (2015).

Across a wide range of studies, scholars have found that businesses have little to lose from paid leave plans.<sup>18</sup> Businesses manage to thrive across the other 37 countries in the OECD that have paid leave plans. Businesses have written numerous pleas for a national paid leave plan because the reality is that a single federal paid leave plan has many potential benefits for businesses.<sup>19</sup> It simplifies the need to comply with different state plans when they operate across state lines, it provides a level playing field for small businesses who cannot afford to pay for paid leave fully out of pocket the way that bigger businesses can, and it improves retention and morale among employees.

### 3) Evidence of Paid Leave on Children

Maternity leave has been shown to improve infant outcomes such as birth weight and infant mortality.<sup>20</sup> An examination of European leave policies found that paid leave programs are a relatively cost-effective way to reduce infant mortality.<sup>21</sup> Maternity leave encourages breastfeeding. Other evidence finds that children have shorter hospital stays when their parents are able to stay home and care for them. These studies focus on the short-run benefits, but there are also

<sup>18</sup> Sharon Lerner and Eileen Appelbaum, *Business As Usual: New Jersey Employers' Experiences with Family Leave Insurance*. Center for Economic and Policy Research. June 2014. <http://www.demos.org/sites/default/files/publications/nj-fli-2014-06.pdf>; Miriam Ramirez, *The Impact of Paid Family Leave on New Jersey Businesses*. New Jersey Business and Industry Association and Rutgers University, The State University of New Jersey Presentation. 2012. <http://bloustein.rutgers.edu/wp-content/uploads/2012/03/Ramirez.pdf>; 2 Ann Bartel, Maya Rossin-Slater, Christopher Ruhm, Meredith Slopen and Jane Waldfogel, *The Impact of Paid Family Leave on Employers: Evidence from New York*. National Bureau of Economic Research, April 2, 2021, [https://www.nber.org/papers/w28672?utm\\_campaign=ntwh&utm\\_medium=email&utm\\_source=ntwg1](https://www.nber.org/papers/w28672?utm_campaign=ntwh&utm_medium=email&utm_source=ntwg1); Ann Bartel, Maya Rossin-Slater, Christopher Ruhm and Jane Waldfogel, *Assessing Rhode Island's Temporary Caregiver Insurance Act: Insights from a Survey of Employers*. U.S. Department of Labor. Jan. 2016. [http://www.dol.gov/asp/evaluation/completed-studies/AssessingRhodeIslandTemporaryCaregiverInsuranceAct\\_InsightsFromSurveyOfEmployers.pdf](http://www.dol.gov/asp/evaluation/completed-studies/AssessingRhodeIslandTemporaryCaregiverInsuranceAct_InsightsFromSurveyOfEmployers.pdf)

<sup>19</sup> *Businesses Call on Congress to Act on Paid Leave in the Biden-Harris Recovery Package*, <https://paidleave.us/biz-for-paid-leave>; Letter from 307 Business and Management School Professors to Congress and the Biden-Harris Administration (last updated May 14, 2021), <http://worklife.wharton.upenn.edu/wpcontent/uploads/2021/03/Business-School-Faculty-Letter-in-Support-of-Paid-Leave-10-March-2021.pdf>

<sup>20</sup> Rossin, 2011

<sup>21</sup> Ruhm, Christopher, 2000



evidence on the long-term benefits. Research has found higher educational attainment, lower teen pregnancy rates, and higher earnings in adulthood for children whose mothers used maternity leave.<sup>22</sup> There is no doubt that children at birth need at least a few weeks with their parents to form the secure attachments that lead to better life outcomes. Research suggests that children benefit from having the first six months at home with a parent.

### *Greater support for childcare and early childhood education*

The wages of child-care workers have typically been some of the lowest in the economy and there is current a significant shortage of childcare workers. With many other industries raising the wages in positions that could be filled by a former childcare workers, child-care workers have new opportunities to earn substantially more in other fields. The wages of child-care workers will need to increase in order to continue to attract workers to the field. However, without further government support, these increases will likely mean that parents work less as they will be able to pay for fewer hours of care.

The pandemic made it clear that education and child care are two sides of the same coin. Parents need their children to have a safe and enriching place to learn and develop while parents are at school. The United States has long struggled with unaffordable or unavailable high quality early childhood education and care. The pandemic exacerbated and extended the problem.

More than two-thirds of young children live in households in which all parents are working—either a single working parent or a two-income household. Yet high-quality childcare is hard to find and is expensive. Families of children under the age of 5 spend \$250 per week on average on childcare.<sup>23</sup> Research looked at parents preferences and understanding of childcare to attempt to understand why so few children get access to high quality early childhood education and care. The research found that the childcare market’s quality problems reflect parents’ inability to afford high quality care and challenges in identifying quality among programs, but it does not reflect an unwillingness to pay for these programs.<sup>24</sup> The distinction between an inability to afford rather than an unwillingness to pay is important—parents would invest more in their children if they could. And that is why parents with high incomes do invest so much in their children. Lower income parents simply cannot afford the high cost of high-quality programs. The result is unequal investment in children that fundamentally erodes the ability for the level playing field necessary for a competitive market economy to thrive.

Early childhood education does three things: (1) it provides childcare that allows parents to work thereby raising household income (2) it develops skills in children that lead to higher lifetime earnings and (3) supports the equal investments in children necessary for a competitive market

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<sup>22</sup> Carneiro, Loken, and Salvanes. (2011)

<sup>23</sup> <https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

<sup>24</sup> Gordon, Hebst, Tekin, 2018 “Who’s Minding the Kids” NBER working paper  
<https://www.nber.org/papers/w25335>

economy to reach its potential.<sup>25</sup> Research suggests that expanding early learning initiatives would create benefits to society of nearly \$9 for every \$1 invested, about half of which comes from higher earnings among the children who receive these investments.<sup>26</sup>

The “Defense Housing and Community Facilities and Services Act of 1940”, which was popularly known as the Lanham Act, funded childcare in communities with defense industries. All families, regardless of income, were eligible for what was high quality childcare at a low cost. Research into the childcare that was provided as a result of Congressional funding found that family bonds were strengthened, children enjoyed the childcare, that the primary goal—increasingly mother’s employment—was achieved, and that children’s long-term outcomes were improved.<sup>27</sup>

High-quality early education for all would narrow the achievement gap. Dozens of preschool programs have been rigorously examined since the 1960s. Overall, across all studies and time periods, early childhood education increases cognitive and achievement scores by 0.35 standard deviations on average, or nearly half the black-white difference in the kindergarten achievement gap. Since higher income children are currently more likely to have access to high-quality early education, expanding access to all would narrow the achievement gap

The Council of Economic Advisers under President Obama did some calculations using the findings of the vast body of research on preschool as one example of early childhood education. They found that if all families were able to enroll their children in preschool at the same rate as high-income families, the subsequent earnings gain that would accrue had a net present value of \$4.8 billion to \$16.1 billion per cohort even after subtracting the cost of the program.<sup>28</sup>

### *A Cost to Our Future Economy without Investment in Care: Declining Fertility*

While the past several decades have seen declining fertility rates, completed fertility has actually risen since 2006. This rise reflected the burst of fertility of women in their late 30s and 40s in the 2000s and 2010s. Children are born to mothers at increasingly older ages who are employed with a great deal of work experience. The labor force participation rate of mothers was at a peak in 2019. And yet women have reduced their fertility at all ages in recent years expressing concerns about the costs of childcare, the ability to take time off of work to care for children, and the burden of student loans and the rising cost of housing. Moreover, women have gotten the

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<sup>25</sup> Havnes and Mogstad, 2011 AER <https://www.aeaweb.org/articles?id=10.1257/pol.3.2.97>

<sup>26</sup> 2016 Economic Report of the President “**Inequality in Early Childhood and Effective Public Policy Interventions**”

<sup>27</sup> Herbst (2017) “Universal Child Care, Maternal Employment, and Children’s Long-Run Outcomes: Evidence from the US Lanham Act of 1940” *Journal of Labor Economics and*  
<https://obamawhitehouse.archives.gov/blog/2015/01/22/experiment-universal-child-care-united-states-lessons-lanham-act>

<sup>28</sup> [https://obamawhitehouse.archives.gov/sites/default/files/docs/early\\_childhood\\_report\\_update\\_final\\_non-embargo.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf)

message that their wages tend to stagnate after having children, leading many women to postpone having children as long as possible. Women and couples are making decisions about having children while considering the challenges of balancing work and children, the support they will get from their employer, the difficulty in arranging trustworthy childcare, and the financial cost of having children.

## ***Conclusion***

At the start of the pandemic women held the majority of nonfarm payroll jobs, a milestone that they reached in December 2019. As women's labor force participation dropped to a rate last seen in 1985, the question on everyone's minds was just how far back have women been set.<sup>29</sup> The surge in women's paid employment in the 1970s and 1980s was important for fueling US GDP growth, accounting for nearly one-fifth of real GDP growth during this period. The U.S. pre-pandemic economy was roughly 15% larger than it would have been if women were employed at the same rate and worked the same number of hours that they did in 1970. Women are not the only ones standing to lose if they slip back to the 1980s, potential GDP slips back with them.

A study by the [Kansas City Fed](#) found that only the labor force participation rate of college-educated women exceeded its pre-2007 recession level by 2019. The growth in women's prime-age labor force participation drove most of the growth in labor force participation in the latter half of the boom that followed the 2007 recession. More generally, growth in women's labor force participation has been the primary driver of the employment growth in recovery periods.

In 2019 mothers of children 6 years old and younger had the highest labor force participation than at any other time in the past.<sup>30</sup> These mothers were also older than in the past, as the average age of mothers has been rising over time. Finally, a greater share of 40-something women were mothers than in the past. The total number of children born to women by the end of their fertile years, known as completed fertility, hit a low in 2006 and has risen over the ensuing decade and a half.<sup>31</sup> The culmination was a large number of women with substantial work experience, whose families relied on childcare.

Our investment in childcare and more generally in children and their education is what develops our talent as a country. It is ultimately human ingenuity that fuels our economic growth. Economic growth in 20 years depends on the choices we make today about investing in our youngest members of society.

These challenges that parents and children faced during the pandemic were not, however, unique to the recession. Instead, they highlight our failure to adapt childcare, workplace flexibility, and workplace parental leave policies as women have entered the workforce and gained experience, training, and education that has made them an essential part of the economy. Women are no

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<sup>29</sup> Women's labor force participation rate was 54.6% in April 2020, which was the labor force participation rate in September 1985.

<sup>30</sup> BLS, Current Population Survey

<sup>31</sup> <https://www.pewresearch.org/fact-tank/2021/05/07/with-a-potential-baby-bust-on-the-horizon-key-facts-about-fertility-in-the-u-s-before-the-pandemic/>

longer secondary earners as economists used to refer to them—able to step back from work whenever their household demands required. Today, more than 40 percent of mothers are the primary earner for their family, earning at least half of total household income.<sup>32</sup> Parents require support and flexibility, both of which will help them develop labor market skills that they will be able to use for decades. Equally, the time that parents need off to care for children is a small fraction of the total amount of hours they will work over their lifetime. We can afford to give them that time.

My research has shown that policy choices shape the constraints that people face and therefore their employment and family decisions. The choices you make now about paid leave, early childhood education, and childcare will shape the US macroeconomy for decades to come by influencing who returns to work, what types of jobs parents take, and what kinds of promotion paths parents take. Choose wisely.

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<sup>32</sup> <https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/>