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COUNCIL FOR A STRONG AMERICA
NEW JERSEY

REPORT

Child Care Is Key to New Jersey's Economic Recovery From COVID-19

The pandemic has decimated the female workforce



Acknowledgements

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19%
of NJ mothers of infants and toddlers left the workforce due to child care issues

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 New Jersey'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. For our state's economy to stabilize and thrive, access to affordable, quality child care for working families must be a paramount concern. Policymakers must utilize new federal funds to expand families' access to child care and stabilize the child care sector, to help return women to work.

COVID-19 has disproportionately impacted the female workforce

Unlike previous recessions, during the pandemic, both nationwide and in New Jersey, female labor force participation has dropped substantially more than that of males,[1] leading some to label this downturn a "shecession."[2] Female labor force participation was at its lowest rate since 1988, even lower than it was during the Great Recession.[3] In New Jersey, unemployment insurance claims increased nearly 70 percent among women from January 2020 to January 2021, compared to 10 percent for men.[4]

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

Among New Jersey women, certain subgroups were particularly impacted, including women of color, those with lower levels of education, and those in low-wage jobs.[7] Many of these women performed

> “The child care crisis has forced many parents to choose between their jobs and caretaking responsibilities. Usually, the parent making that tradeoff is female.”



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essential jobs during the pandemic, providing vital infrastructure services, and helping to keep the economy running.

New Jersey mothers were also especially hard-hit by the pandemic.[8] Through December 2020, employment fell 6.8 percent among mothers, compared to 3.8 percent among fathers.[9] Nationwide, approximately one million mothers left the workforce, compared to half that number of fathers.[10] In one survey, 82 percent of mothers leaving the workforce reported that they could not afford to do so.[11]

Female labor force participation is key to economic recovery

The female exodus from the workforce has affected businesses and the economy. As COVID-19 restrictions have been lifted, there have been reports of labor shortages across the state.[12] For example, in June 2021, nearly half of New Jersey small businesses reported job openings they couldn’t fill.[13]

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.[14] Conversely, slower growth in female labor force participation accounted for an estimated 70 percent of the slowdown in employment growth during previous recoveries.[15] The female exodus from the workforce bodes ill for our economy.

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

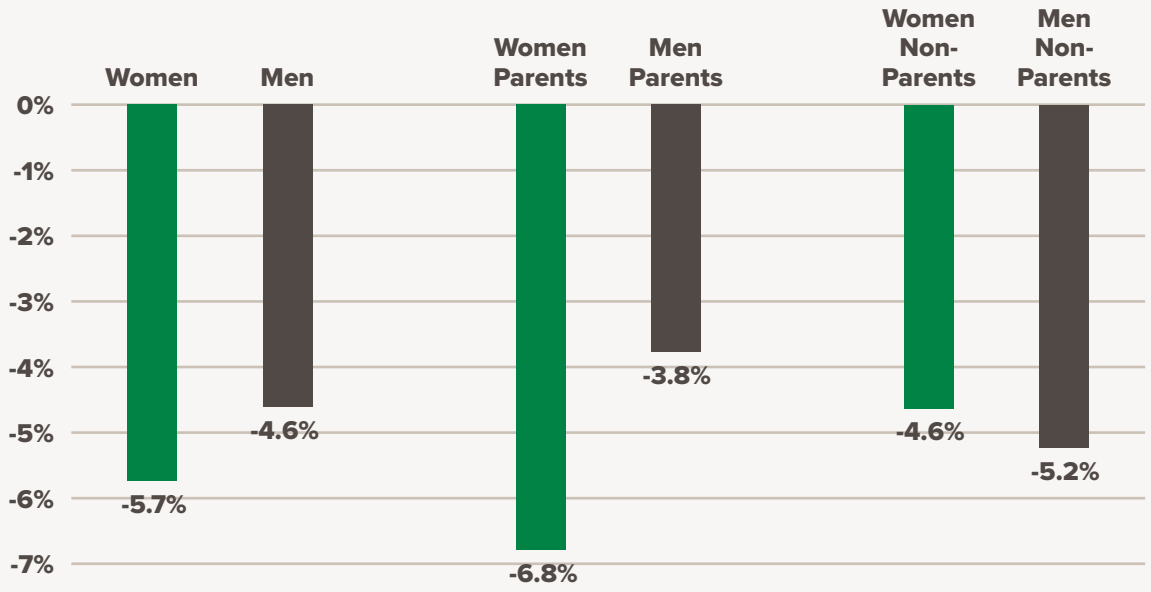
Several factors underlie COVID-19’s disproportionate impact on female labor force participation. Women are more likely to work in service jobs (child care, retail, etc.) that were both harder hit during the pandemic[16] and not conducive to working from home.[17] Perhaps most importantly, women also typically bear the brunt of child care responsibilities; in a statewide survey of over 900 New Jersey parents of children under age 3, about 14 percent reported that they had to leave their jobs to manage child care, with more mothers (19 percent) than fathers (3 percent) affected.[18]

The child care crisis is hindering economic recovery

The effects of COVID-19 have transformed the existing child care crisis into a potential catastrophe that impacts working families and businesses in nearly every sector. A recent

New Jersey Mothers Dropping Out of the Workforce

Percent change in prime-age employment Feb to Dec 2020



Source: https://www.njeda.com/economists-corner-whats-holding-back-new-jerseys-labor-supply/

report concluded: "The crumbling child care industry is increasingly holding back economic recovery across the country."[19]

Early in the pandemic, the state ordered New Jersey child care centers to be closed, with the exception of care for children of essential workers. When the state permitted centers to reopen in June 2020, group sizes were limited and these caps remained in place for nearly a year, reducing the supply of care.[20]

Over the course of the pandemic, the American child care sector has lost one in six workers, for a total of nearly 167,000 jobs lost.[21] In addition, the sector is made up almost entirely of women and disproportionately women of color.[22] Thus, the pandemic burden borne by the child care workforce falls disproportionately and inequitably on them. This loss will further impair a sector that cannot meet the overwhelming demand for its services. Prior to the pandemic, nearly half (46 percent) of New Jersey families lived in a child care desert, where there are at least three children for every licensed child care slot.[23] Availability was especially limited for families who have infants and toddlers, and 41 percent of these parents report that it is now even more difficult to find quality child care within their budget than prior to the pandemic.[24]

Even when care is available, it is often unaffordable: the average annual cost of center-based infant care in New Jersey ($15,600) is more than the average cost of public college tuition and fees ($14,180).[25]

Quality can also be a problem, as high rates of provider turnover, linked to low rates of compensation, can negatively impact the continuity of care children need, particularly infants and toddlers.[26]

This lack of affordable, high-quality care harms working parents today by preventing them from being able to go to work with the necessary peace-of-mind to be focused, productive employees. A 2019 ReadyNation national research report examining the nation's infant-and-toddler child care crisis described the dire economic consequences: a staggering annual cost of $57 billion in lost earnings, productivity, and revenue.[27] New Jersey's Gross Domestic Product and population represent roughly three percent of the nation's Gross Domestic Product and total population. That suggests that the lack of reliable child care for working parents of young children, age 0 to 3, could result in $1.7 billion in annual costs for New Jersey.[28] COVID-19 has almost certainly increased these costs.

The child care crisis affects the future workforce

Beyond its negative consequences for the current workforce, the crisis also hurts the workforce of the future by depriving children of the benefits that can come from high-quality child care. Studies demonstrate that the first few years of life represent a critical window of opportunity for laying a foundation for skills-building success.[29] During those years, more than one million neural connections form every second—a period of brain development unmatched by any other.[30] Young children depend on nurturing, stimulating environments, both at home and in child care, for healthy brain development.

Research shows that high-quality child care enhances children's cognitive, social, and emotional development. For example, a longitudinal study of more than 1,300 children found that kids in higher-quality child care were better prepared for school at age 4 compared to children in lower-quality child care.[31] At age 15, the children who had experienced higher-quality care were still performing slightly above their peers and had significantly lower levels of behavior problems. Such results matter to business leaders, as these data roughly cover the same technical and non-technical skill sets that employers and managers seek in their hires.

Policymakers must support the child care sector

The benefits that can flow from high-quality child care indicate that it is an essential element to get mothers back to work, rebuild our economy, and lay the foundation for the workforce of the future. Therefore, New Jersey policymakers must support families' access to high-quality, affordable child care. Specifically, policymakers should utilize new federal funds to expand access to child care subsidies to more families, improve educator compensation, and prioritize increasing the supply of care by expanding facilities, incentivizing family child care, and utilizing other innovative strategies to stabilize and improve the sector.

For New Jersey's economy to stabilize and thrive, access to affordable, quality child care for working families must be a paramount concern.

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