

Female Labor Force Participation is Key To PA's Economic Recovery

Policymakers must address the commonwealth's child care crisis and help women return to work



Acknowledgements

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as many Pennsylvania women unemployed in December 2020 than in December 2019.

The COVID-19 pandemic disproportionately impacted women’s employment. In the first quarter of 2021, female workforce participation nationwide was at its lowest rate in more than 30 years, and is not expected to fully rebound to pre-pandemic levels until late 2024. Returning women to work is key to Pennsylvania’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, ensuring working family’s access to affordable, quality child care must be of paramount concern. Policymakers must stabilize and strengthen the child care system to help women return to and remain in the workforce.

COVID-19 has disproportionately impacted the female workforce

Unlike previous recessions, during the pandemic, female labor force participation dropped substantially more than that of males, both nationwide and in Pennsylvania. In the first quarter of 2021, female labor participation was at its lowest rate since 1988, which is lower than it was even during the Great Recession, leading some to label this downturn as a “shecession.”¹ In Pennsylvania, unemployment insurance claims were higher for women than for men from January 2020 to January 2021, peaking at 22.3 percent (vs. 19.3 percent for men).² More than four times as many Pennsylvania women were unemployed in December 2020 than in December 2019.³

Although employment rates have increased in recent months,⁴ national projections indicate that female employment may not fully rebound to pre-pandemic levels until late 2024, 18 months later than projected for males.⁵

Among women, certain subgroups were particularly impacted, including women of color, those with lower levels of education, and those in low-wage jobs.⁶ Women comprise almost two-thirds of the essential workforce in Pennsylvania and were key to providing vital infrastructure services and helping to keep the economy running during the pandemic.⁷ The pandemic also hit mothers especially hard, with approximately one million mothers leaving the workforce nationwide, compared to half that number of fathers.⁸ Mothers without partners had the sharpest drop in employment among parents.⁹ In one survey, 82 percent of mothers leaving the workforce reported that they could not afford to do so.¹⁰

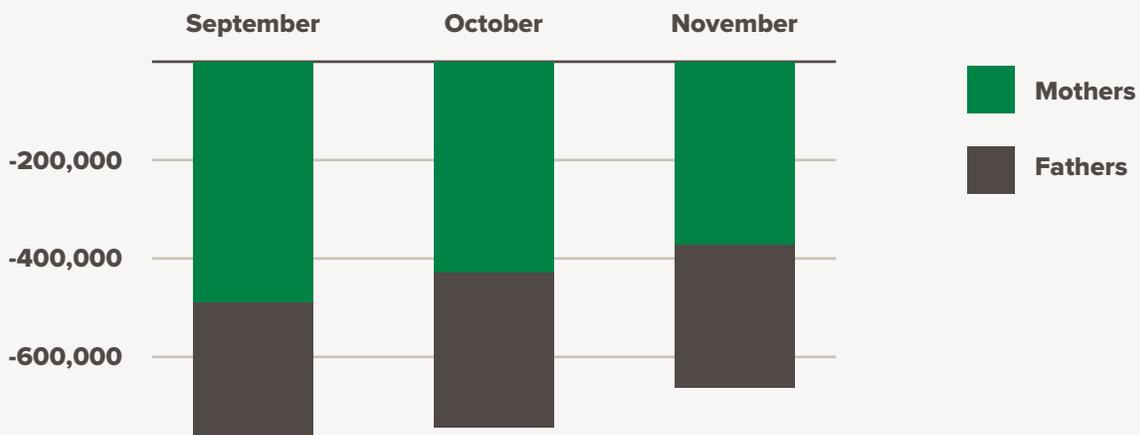
Female labor force participation is key to economic recovery

The female departure 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 commonwealth and across many sectors. The president and CEO of the Pennsylvania Chamber of Business and Industry called the shortage “a full-blown crisis.”¹¹

Long-term, the importance of female labor force participation for our economy is clear. Until COVID, women, particularly college-educated women, had driven the post-Great-Recession recovery in labor force participation.¹² Research also shows that there is a relationship between women’s participation in the labor force and the national GDP.¹³ Female labor force participation contributes \$7.6 trillion to the US GDP every year.¹⁴ The female departure

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

from the workforce bodes ill for our national and state 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 pandemic¹⁵ and not conducive to working from home.¹⁶ Perhaps most importantly, women also typically bear the brunt of child care responsibilities. A March 2021 survey by the United Way of Pennsylvania's ALICE (Asset Limited, Income Constrained, Employed) project described the impact of the pandemic on the child care concerns of both ALICE and non-ALICE families.¹⁷ The vast majority of families (82 percent ALICE; 79 percent non-ALICE) reported some concern with child care due to the pandemic. Nearly half (45 percent) of all families with children had to adjust their work lives to accommodate child care needs. Among families below the ALICE threshold, more than half (57 percent) reduced their work hours or left their jobs completely.

Child care is a family's greatest expense and accounts for 21 percent of the ALICE household survival budget, which is three times higher than the affordability threshold established by the U.S. Department of Health and Human Services. In 2018, the federal poverty level for a four-person family was \$25,100, while the Household Survival Budget for a family with two adults and two children in child care is \$69,648. For this same family of four to be considered financially stable, an average annual income of \$118,260 is needed.¹⁸

In a statewide survey of nearly 300 Pennsylvania employers, of those reporting losing employees during the pandemic, more than half (54 percent) said the loss was due to child care issues.¹⁹ Thirty-five states across the nation, including Pennsylvania, have experienced a rising number of parents leaving the workforce due to child care problems, with an average increase of 36 percent.²⁰ Lack of child care is a barrier to the workforce and impacts both working families and employers.

The child care crisis is hindering economic recovery

The effects of COVID-19 have compounded the existing child care crisis 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."²¹ In Pennsylvania, 86 percent of child care providers closed at some point during the pandemic; at least 850 providers have closed permanently and over 350 remain temporarily closed since March 2020. Approximately 600 new providers have opened during the same time period, however they typically have operated at reduced capacity, reducing the supply of care.²²

Over the course of the pandemic, the child care sector has lost one in six workers nationwide, for a total of nearly 167,000 jobs lost.²³ In Pennsylvania, according to a recent survey, 79 percent of respondents from child care centers said that they had a staffing shortage, with 60 percent of programs serving fewer children, 41 percent with longer waiting lists, 30 percent unable to open classrooms, and 27 percent reducing operating hours.²⁴ This shortage of child care workers is limiting providers' ability to return to full capacity. Even before

the pandemic, lack of child care served as a major barrier to employment in Pennsylvania.²⁵ More than half (57 percent) of Pennsylvania families lived in a child care desert, where there are at least three children for every licensed child care slot.²⁶ Given the survey data, it is likely even more difficult to find quality child care now than prior to the pandemic.

Even when care is available, it is often unaffordable: the average annual cost of center-based infant care in Pennsylvania (\$11,560) is close to the average cost of public college tuition and fees (\$14,770).²⁷ Quality can also be an issue. In Pennsylvania, all certified child care providers participate in the commonwealth's quality rating and improvement system (QRIS), Keystone STARS.²⁸ The majority of providers (54 percent) have one-star ratings, indicating that they have received a certificate of compliance. Only 19 percent have attained the highest (four-star) rating.²⁹

A lack of accessible, affordable, high-quality child care jeopardizes recruitment, retention, and productivity for businesses as well as decreases job opportunities and advancement for parents. A U.S. Chamber of Commerce Foundation study examining these child care challenges in Pennsylvania described the dire economic consequences: a combined staggering annual loss of \$3.47 billion both in tax revenue and to employers' bottom line due to employee absences and turnover.³⁰ COVID-19 has likely 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.³¹ During those years, more than one million neural connections form every second — a period of brain development unmatched by any other.³² Young children depend on nurturing, stimulating environments, both at home and in child care, for healthy brain development.

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, Pennsylvania's state and federal policymakers must support families' access to high-quality, affordable child care options. In the near term, state officials must fully leverage all available federal child care and pandemic-relief funds to stabilize the current care system and prevent more closures. Longer term, state and federal officials must approve additional recurring investments in the child care sector to address systemic issues like low staff wages, inadequate reimbursement rates for providers participating in the subsidized child care program, and a shortage of high-quality care. For Pennsylvania's economy to stabilize and thrive, access to affordable, quality child care for working families must be of paramount concern.

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