

Testimony before the United States Committee on Banking, Housing, and Urban Affairs'  
Subcommittee on Economic Policy

“The Role of Child Care in an  
Equitable Post-Pandemic Economy.”

June 23, 2021

Dr. Betsey Stevenson

Professor of Economics and Public Policy, University of Michigan Gerald R. Ford School of Public Policy and Department of Economics and Faculty Research Associate, National Bureau of Economic Research

Chair Warren, Ranking Member Kennedy, and distinguished members of the committee, thank you for the invitation to speak to you today about childcare. I am an economist who has spent much of the past three decades trying to better understand women’s employment, families, and the porous boundaries between our personal lives and our work lives. These porous boundaries were completely shredded during the pandemic as tens of millions of people began to work from home for the first time along with their children who lost access to in-person school and childcare.

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 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. It’s not just women, men’s employment choices are also shaped by access to childcare. In 2014, a survey found that 49% of parents had passed up a job because it conflicted with family obligations.<sup>1</sup> The pandemic caused nearly all parents to face these kinds of choices over the past year. In a recent survey I conducted in conjunction with RIWI we found that childcare responsibilities during the COVID-19 crisis impacted the employment of 59% of parents. Many cut their work hours, turned down promotions, changed jobs for more flexibility, paused training or education, and some quit jobs entirely. These impacts were reported by men and women almost in equal number, a fact that reflects the shift toward greater equality in the home that has led men to increase the number of hours they spend on primary childcare and household chores over the past several decades, partially offsetting the decline in time women spend on those activities.<sup>2</sup> Dads are increasingly playing the role of the primary caregiver in the household: 1 in 5 fathers are the primary caregiver of preschool-age

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<sup>1</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>2</sup> Bianchi et al. (2006); American Time Use Survey

children when the mother is employed.<sup>3</sup> In the last 30 years, the number of families with stay-at-home dads and a working mom doubled,<sup>4</sup> the number of father-only families more than doubled, and in 2019 nearly a quarter of single parents with children under age 18 were father-only households.<sup>5</sup>

However, the pandemic highlighted the fact that women continue to bear disproportionate responsibility for care giving within families and the childcare crisis impacted women more than men in many ways.

The first factor was the nature of the recession itself. This was our first service sector driven recession. The United States is an economy dominated by the service sector. In February 2020, there were 131 million service sector jobs--86% of private sector jobs in the United States. Despite this large share of jobs, in every previous recession job loss has disproportionately occurred in the goods-producing sector. For example, in the 2009 recession, half of all jobs lost were lost in the goods-producing sector. In 2020, roughly 10% of the jobs lost were in the goods-producing sector. Women work disproportionately in the service sector and therefore the concentration of job loss in the service sector meant that women bore more of the job loss. Between February 2020 and May 2020, women lost 13 million jobs compared to 9 million jobs lost by men. However, over the last several months of recovery the gap has reversed as jobs held by women have been expanded faster than jobs held by men.

The second factor was the closing of schools and childcare. More than two-thirds of children live in households in which all parents work.<sup>6</sup> The pandemic made salient the many roles that schools play. While K-12 education is typically thought of as a source of education for children and therefore investment in the next generation. It is also a source of childcare for many families who are able to work for pay during the roughly 6 hours that their children are being taught and cared for by professional educators. Childcare for younger children serves very similar functions to primary school. Early childhood educators can improve outcomes for children by engaging in developmentally appropriate curriculum-based activities. They also provide crucial care for children in households in which all parents work.

The third factor is related to changes in family life that meant more mothers were likely to be in the labor force than in the past. 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>7</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>8</sup> The culmination was a large number of women with substantial work experience, whose families relied on childcare.

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<sup>3</sup> Survey of Income and Program Participation, 2011

<sup>4</sup> Census Table MC1 from 2019 Current Population Survey

<sup>5</sup> Census Table FM-1 from Current Population Survey

<sup>6</sup> American Community Survey 2019 Table B23008

<sup>7</sup> BLS, Current Population Survey

<sup>8</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/>

These challenges that women faced 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 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>9</sup>

*Our transformation of our economy and our families has taken place over the past fifty years.*

In 1970, 43% of women participated in the labor force participation, but over the next three decades women's labor force participation grew to 60%, hitting a peak in 1999. During this period of growth, the United States had one of the highest female labor force participation rates of any OECD country. This surge in women's paid employment was important for fueling US GDP growth, accounting for nearly one-fifth of real GDP growth in the 1970s and 1980s. 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.

Yet, in the ensuing decades, the US rank has fallen to near the bottom among 22 OECD countries as these countries have expanded family friendly policies including parental leave and childcare.<sup>10</sup>

While women's labor force participation growth stalled in the 21<sup>st</sup> century, it declined even further for men. Declining labor force participation was one of the challenges that the US economy faced in the 2000s even prior to the 2008 recession, which further exacerbated that decline. However, the ongoing economic recovery led to a recovery in the labor force participation rate that accelerated in the five years prior to the pandemic. That recovery was fueled by women's—and mother's—increasing labor force participation. The Kansas City Federal Reserve Bank found that college-educated women in particular drove the rebound in the prime-age labor force participation rate between 2015 and 2019.<sup>11</sup>

Economic growth over the past several decades has been concentrated in the service sector. To put this in perspective in February 2020 the goods sector still had a million fewer jobs than it had at the start of the 2008 recession. In contrast, the service sector had a 15 million more jobs. This shift has both been fueled and helped fuel women's labor force growth. Roughly two-thirds of the job growth since the start of the 2008 recession went to women. With that job growth for all women, also came growth in employment in the childcare sector.

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<sup>9</sup> <https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/>

<sup>10</sup> Blau and Kahn, 2013 <https://www.nber.org/papers/w18702>

<sup>11</sup> <https://www.kansascityfed.org/research/economic-bulletin/women-driving-recent-recovery-labor-force-participation-2019/>

By December 2020 women held the majority of nonfarm payroll jobs in the United States. They held that position for January and February and, while it was undone with the pandemic, they are likely to regain that position again as we continue to recover. Already women's job growth has exceeded that among men.

Even though women will likely return to employment in numbers that allow them to regain their majority share of jobs, great growth in women's employment and better matching of parents to jobs in which they can be most productive requires a more reliable, affordable, and a higher quality childcare sector.

It's not only women's rising labor force participation that has changed, but our rising life expectancy has changed our working lives. A smaller share of adulthood is spent with young children in the home. A century ago, women having children could scarcely expect to live beyond age 50 and the typical woman had roughly four children. Not surprisingly, many women's entire adult lives were spent caring for children. In contrast, women today have a life expectancy of roughly 80 and have half as many children. As a result, women's adult lives are no longer spent primarily raising children. This is not to say that children are not an important part of most people's lives. 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 shrinking fraction of the total amount of hours they will work over their lifetime. We can afford to give them that time.

Let me conclude by talking directly about childcare.

As the banking committee you understand the importance of a strong financial sector to a functioning US economy. When the great financial crisis swept the globe in 2008, Congress, the Federal Reserve, and the US Treasury took swift action. The financial system was regarded as the backbone of the economy—if it were to collapse it could take the entire economy with it. Part of the banking and financial sector's importance is that financial transactions allow us to invest in companies, new ideas, and capital equipment. That investment allows higher productivity growth and therefore ongoing economic growth.

Childcare and education has more in common to the banking system than you may suspect. It is the backbone of our future economy because it invests in and develops our human capital. While women have often done this labor for no or little pay, do not underestimate its value. Human talent is developed through these investments and its ultimately human ingenuity that fuels our economic growth.

The last several decades have brought tremendous strides in our understanding of children's learning. Infants and toddlers take in the world around them at birth, laying the foundation upon which the rest of their knowledge will be built. Researchers have established that profound advances take place in individuals' reasoning, language acquisition, and problem solving in early childhood. Children need age- and developmentally appropriate play and learning from very early ages. We now know that it is not sufficient to begin a child's education at kindergarten. However, there is great inequality in access to early childhood education. Yes, parents are investing heavily in their children—both mothers and fathers are spending more time with their

children than earlier cohorts did, despite fewer children living in homes with a stay-at-home parent. But early childhood education requires knowledge about child development that not all parents have and most children will spend time with other caregivers.

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>12</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>13</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 economy to reach its potential.<sup>14</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>15</sup>

I want to highlight an often-overlooked act of Congress that gave some communities in the United States high-quality low-cost childcare for a temporary period. 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>16</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

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<sup>12</sup> <https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

<sup>13</sup> Gordon, Hebst, Tekin, 2018 “Who’s Minding the Kids” NBER working paper  
<https://www.nber.org/papers/w25335>

<sup>14</sup> Havnes and Mogstad, 2011 AER <https://www.aeaweb.org/articles?id=10.1257/pol.3.2.97>

<sup>15</sup> 2016 Economic Report of the President “**Inequality in Early Childhood and Effective Public Policy Interventions**”

<sup>16</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>

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>17</sup>

Finally, let me conclude by mentioning the aging population. 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.

But in recent years women have reduced their fertility at all ages. This is raising concerns that completed fertility among younger Millennials will ultimately be lower than that of the previous generation. College graduates in middle-class families struggle to pay student loans, to save for the down payment on a home, and to get a stronger foothold in the labor market. Women with less education struggle to find a job that will pay a living wage, let alone high quality early childhood education. The shift to having children at older ages reflects the desire by many people to establish their careers and achieve financial stability prior to having children. Research shows that women's careers and wages stagnate after having children, a fact that leads 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.

In conclusion, women and parents are essential to the success of our economy. The majority of college-educated workers in the United States are women. This trend will continue since nearly 60 percent of those graduating from college today are women—meaning that in a decade an even greater share of college-educated workers will be female. It is important that policy makers concerned about the macroeconomy understand the crucial role that women are playing. But while women are crucial to the functioning of our economy, our workplace policies and government policies have not kept up with the emergence of women as primary or co-equal household earners.

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<sup>17</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)