

# The Economic Role of Paid Child Care in the U.S.

## A Report Series — Part 2: Labor Force Participation

### Executive Summary

*This is the second report of a four-part series related to use of paid child care in the U.S. and the labor force participation of mothers. The first report focused on the use of paid child care, what percent of household income is spent on child care for those families who pay for it, and what characteristics are associated with families who pay for child care. This second report examines labor force participation in greater detail to better understand labor force attachment for mothers with children over time, as well as trends across gender, race, marital status, and women with and without children, to gain a better understanding of labor force trends in which mothers with children are a subset.*

The ability of many working parents to participate in the labor force is highly dependent upon access to paid child care. Paid care has historically been used by working parents for approximately 20% of children in the U.S. under the age of 15.

The use of paid care is most closely associated with the labor force participation of mothers. Mothers traditionally perform most of the primary care duties for children, especially for younger children. Hence, the use of paid child care is closely tied to the decision of mothers to enter or exit the labor force. At the state level, the share of children in paid child care is highly correlated with the share of mothers participating in the labor force.

This report examines both long- and short-run trends in U.S. labor force participation. The two primary measures of labor force participation are defined and discussed, and key trends are examined. Many of the key labor force trends examined are related to the role of women in the labor force, particularly women with children. The influence of sex, race, income, and marital status on the participation rate is also examined, along with the variation in participation rates across the states.

#### How is Labor Force Attachment Measured?

Two primary measures of the degree of labor force involvement, or attachment, are used throughout the report. The labor force participation rate is the most widely cited measure and is calculated by dividing the number of persons in the labor force (either employed or unemployed) by the population. In other words, it captures the share of the population that is either working (employed) or actively seeking work (unemployed). The inclusion of the unemployed is the key characteristic of the participation rate. This feature makes the labor force participation rate smoother and far

less volatile over time because it is designed to measure labor force involvement whether workers are employed or not.

*The use of paid care is most closely associated with the labor force participation of mothers.*

An alternative measure of labor force attachment drops unemployed workers from the labor force and simply measures the ratio of employment to population. This measure is typically referred to as the employment to population ratio, or simply

the employment ratio. The employment ratio focuses on the more basic notion of measuring the share of the population that is actively engaged in work. The employment ratio better reflects the behavior of employment in the short run and provides a far clearer view of just how volatile employment in the U.S. can be on a year-to-year basis.

Which measure is better? The better measure is the one that is more appropriate for the question or task at hand, with both used throughout the report.

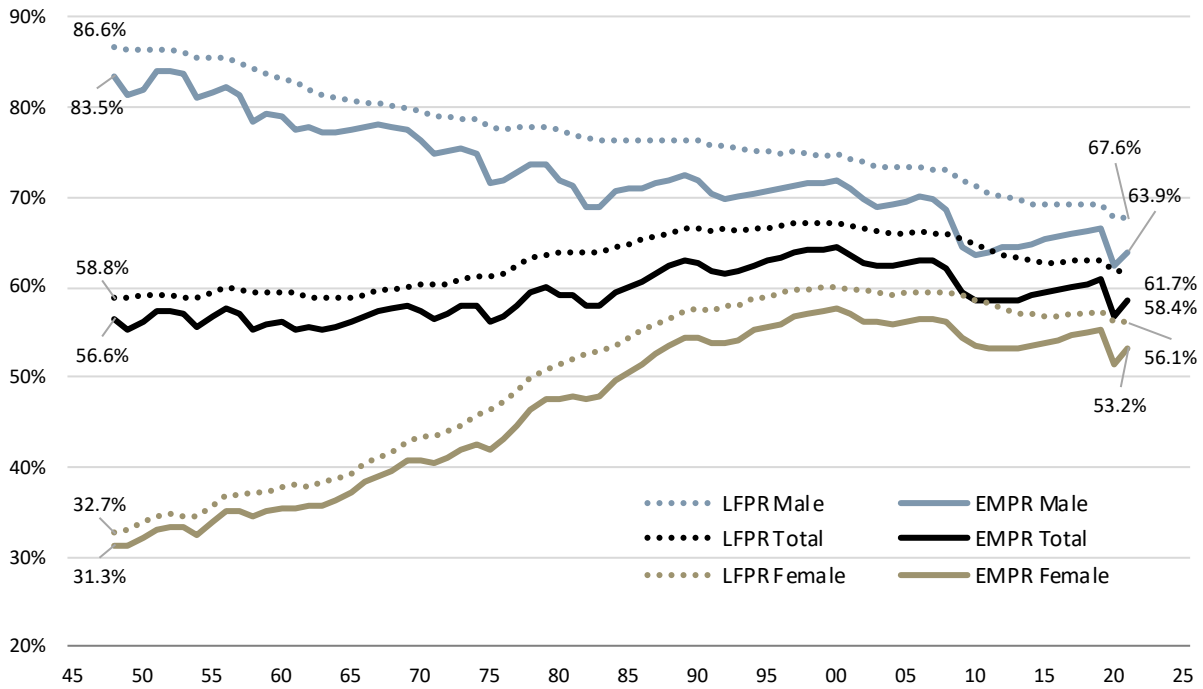
#### What are the Key Long-Run Trends in U.S. Labor Force Attachment?

The U.S. labor force rose from 1948 to 2000, and then entered a period of decline to the present. The period with the fastest gains in overall U.S. participation extends from the mid-1960s to the late 1990s. These gains reflect the mass influx of women into the labor force in the period. The female rate surged from about 33% in 1948 to a peak of 60% by the mid-1990s.

#### Male vs. Female Participation

Participation rates for men have been locked in a long-run structural decline for approximately 75 years. As the long-run growth in female participation stalled in the late 1990s, both male and female rates contributed to a declining overall rate. The overall rate peaked at a post-War high of 67.1% in 1997.

Measures of U.S. Labor Force Attachment by Sex



Note: All persons ages 16 and over. LFPR is labor force participation rate; EMPR is employment-population ratio. The estimates are annual averages of monthly values. The employment ratio better captures the magnitude of employment declines in major recessions such as the 1973-75, 1980-82, 2007-09, and 2020 time periods relative to the participation rate.  
 Source: Bureau of Labor Statistics – Current Population Survey.

Overall Decline in Labor Force Attachment

Overall labor force attachment began to decline in the U.S. around 2000 and has decreased steadily since. The U.S. economy is now facing a structural decline in both male and female participation rates.

- Since 2000, the participation rate for the overall U.S. labor force has dropped from 67.1% in 2000 to 61.7% in 2021, a 5.4-percentage-point decline. The employment ratio similarly dropped from 64.4% in 2000 to 58.4% in 2021, a decline of 6 percentage points.
- Most recently, the overall rate dropped to only 61.7% in 2020 and 2021, the lowest overall participation rate for the U.S. labor force since 1976, when women’s rates were only about 45%.
- A return to the 2000 participation rate would equate to 14.1 million additional persons in the labor force in 2021.

The falling overall labor force participation rate has become an acute economic policy concern in the U.S. over the past few decades.

*The falling overall labor force participation rate has become an acute economic policy concern in the U.S. over the past few decades.*

Male vs. Female Participation in Recessions

Men have historically experienced far larger drops in employment during recessions than women. However, male and female outcomes were far closer to proportional during the recent pandemic-induced decline in labor force attachment. The employment ratio declined by 2.7 percentage points for men versus 2.2 percentage points for women (2.4 percentage points overall) between 2019 and 2021.

Changing labor market outcomes for both men and women suggest several policy concerns:

- Both male and female rates are now declining at approximately the same pace. This suggests that the same structural factors that have long weighed on male participation rates may now be driving a similar decline in female participation rates.
- Workers of both sexes are now showing a lower overall propensity to participate in the labor force. This suggests that policy concerns over declining participation

rates in the U.S. now extend equally to both sexes.

- The labor market is becoming just as volatile for women as men during recessionary periods. It also suggests that the use of paid child care as a mechanism allowing more women to participate in the labor force may be undergoing an important shift tied to changing labor market fundamentals.

### Labor Force Gaps Faced by Women and Mothers

An ongoing policy concern is the long-run gap in participation experienced by women, especially mothers.

- In 2020 during the pandemic, the male participation rate of 67.7% was 11.5 percentage points above the 56.2% rate for females. The gap remains substantial but is the smallest gap in the post-War period.
- A stall in progress in closing the gap during the past two decades suggests that the current roughly 10 percentage point gap between the sexes may represent an effective floor.
- There is also a large and persistent gap in the participation rate between fathers and mothers. Beginning with the peak in female participation rates in the late 1990s, the gap has hovered between 22 and 25 percentage points.

*Labor force participation among women of all races has mostly converged with the exception of Black women who exceed the average by 2.6 percentage points.*

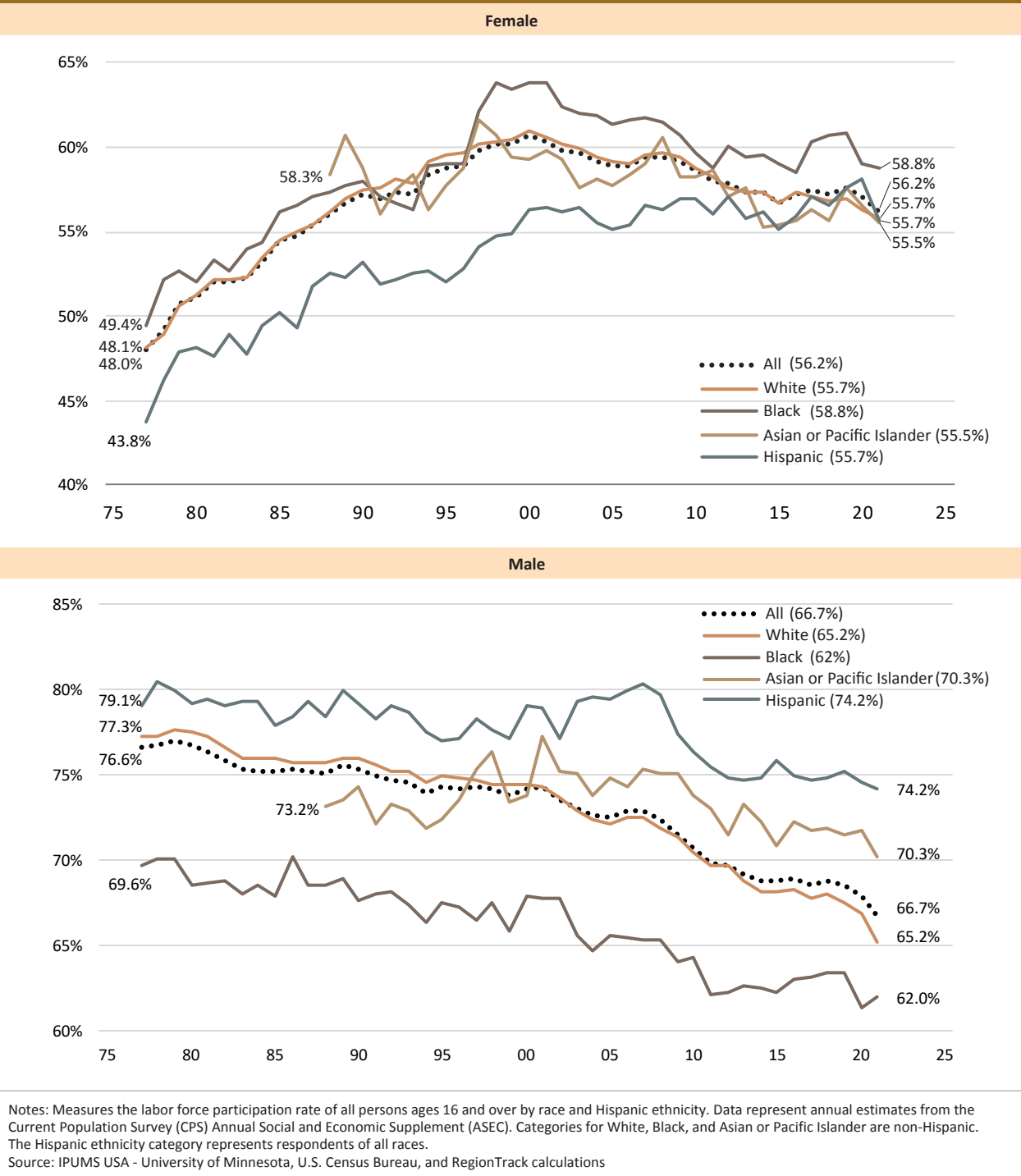
*The employment ratio declined by 2.7 percentage points for men versus 2.2 percentage points for women (2.4 percentage points overall) between 2019 and 2021.*

### Labor Force Participation by Sex, Race, and Income

There are several key long-run trends in labor force participation along the dimensions of race and sex:

- The ongoing general decline in overall U.S. participation rates since 2000 is visible across both sexes and nearly all races.
- The overall participation rate for all workers closely follows the rate for White workers, both male and female. This reflects the relatively large size of the population of White respondents in the U.S., with slightly more than 60% reporting as white non-Hispanic in 2021.
- Male participation rates for all race groupings have generally declined across the full period. Men identified as Asian or Pacific Islanders posted gains in the 1990s before declines began around 2000.
- For females, participation rates for all races follow the general trend of rising rates through 2000, followed by a slowing or decline from 2000 to the present. Rates for White, Black, and Asian or Pacific Islander female respondents have fallen steadily since 2000.
- Black participation rates are highest among females and have been well above overall average rates and White rates since the late 1990s. In fact, Black females represent the only major female race group with participation rates above the overall average. The gap between Black females relative to White females has averaged nearly 2.5 percentage points since 2000.
- Labor force participation among women of all races has mostly converged with the exception of Black women who exceed the average by 2.6 percentage points.
- All groups of men by race and ethnicity have higher labor force participation rates than women. The smallest male-female participation gap is for Black men (3.2 percentage points gap in 2021). The White gap was slightly larger at 5 percentage points in 2021. The largest male-female participation gap is for Hispanics of all races (18.5 percentage points in 2021).

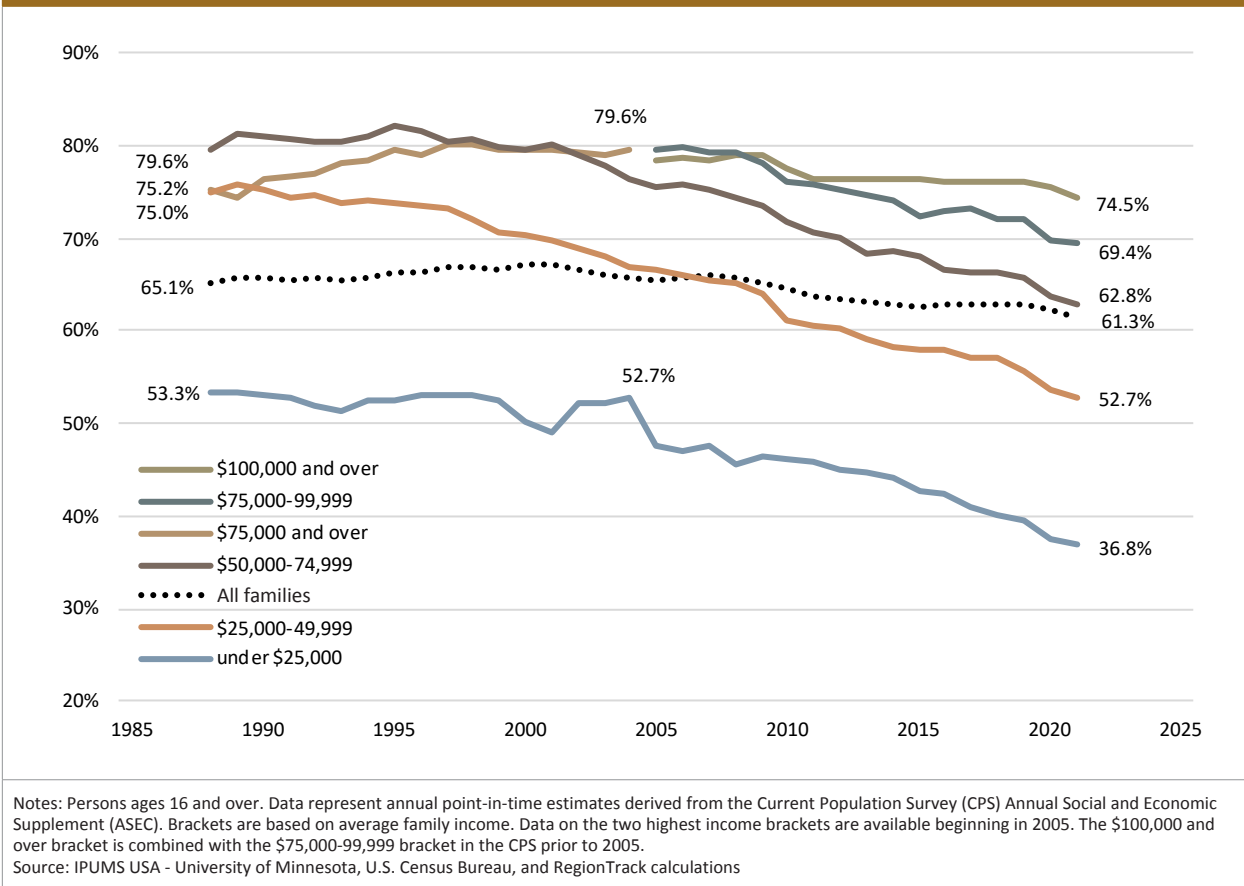
Labor Force Participation Rate Ages 16+ by Sex and Race



Three dominant trends are present in the U.S. data on labor force participation by income bracket.

- Participation rates remain far higher for those in the highest income families. Based on the two extreme income brackets, the participation rate for persons in families with income of \$100,000 or more (74.5%) is more than double the rate for those in families with income under \$25,000 (36.8%).
- Consistent with the national trend, participation rates are falling across all income groups.
- The long-run decline in participation has generally been greatest for those in lower income households.

**U.S. Labor Force Participation Rate by Family Income Bracket**



The ongoing decline in U.S. labor force participation is spread broadly across nearly all segments of the labor force by sex, race, and income. Trends within each demographic measure suggest that the greatest policy concerns now center on declining participation for both sexes, persistent male-female and father-mother participation gaps, some racial gaps, and steep participation declines in the lowest income brackets.

**How Is Maternal Labor Force Participation Affecting Paid Child Care Usage?**

The labor force participation of women and mothers continues to be influenced by important trends in the population of women of working and childbearing age.

1. The population of women ages 18 to 54 stalled at about 78 million in the past decade, limiting the natural growth in the number of working mothers.
2. The number of mothers ages 18 to 54 with a child under the age of 15 stalled more than a decade ago and has declined by 2.2 million (9.3%) since 2007. The number of mothers with a child under the age of 5 declined by 1.1 million (11.3%) since 2007. This has directly reduced the demand for all forms of child care.
3. The share of all women ages 18 to 54 who are mothers with a child under age 15 continues to fall, reaching 37% in 2021 for those with a child under 15 and 15% for those with a child under 5. This decline in the share of women who are mothers reflects the extended period of falling fertility rates in the U.S.
4. The labor force participation rate for women ages 18 to 54 has fallen over the past two decades for all subgroups of women except mothers with young children under 5. Mothers with young children represent one of the strongest sources of new entrants to the labor force in recent years.
5. The number of women ages 18 to 54 with no children at home continues to rise rapidly, reaching 38.6 million in 2021. This represents almost half of all women ages 18 to 54 and is weighing on overall female participation rates.
6. After experiencing falling labor force participation rates from 2000 to 2010, women with no children showed strong signs of returning to the labor force prior to the pandemic. Their participation rates declined far more steeply in 2020 and 2021 in response to the pandemic than participation rates for mothers.



The findings on female and maternal labor force participation suggest several findings relevant for paid child care usage:

1. The pool of women ages 18 to 54 of both work and child-bearing age continues to diminish in size. Given trends of a declining birth rate and a declining share of women having children, the underlying demand for paid child care is poised to fall in the future.
2. Mothers (versus women with no children in the household) now offer far less potential as a source of new labor force entrants. Mothers have nearly closed the overall participation gap on women with no children. Mothers with older children (ages 5-14) already have higher labor force participation rates than women with no children. Mothers with young children have only a 7.6% gap remaining in 2021, down from more than 30% in the late 1970s. This suggests that the efficacy of using paid child care to attract mothers to the labor force may be diminished relative to attracting women with no children.
3. The group of unmarried mothers offers far less potential as a source of new labor force entrants than married mothers. Married mothers outnumber unmarried mothers more than two to one and have lower participation rates. Following welfare reform measures in the 1990s, unmarried mothers have since raised their labor force participation rate above that of married mothers. Child care support can help both married and unmarried mothers participate in the labor force. Because labor force participation is higher for unmarried mothers compared to married mothers, it could be that child care assistance could be used to support more married mothers to work.
4. Mothers with young children posted the strongest gains in labor force participation among all major groups of women the past two decades. While participation for mothers with older children has fallen along with the overall rate, mothers with younger children have offset much of the decline. A continuation of this trend suggests that demand for paid care will be relatively stronger for mothers with younger children versus those with older children.
5. Mothers with young children are not the underlying cause of the ongoing decline in female labor force participation in the U.S. Instead, it is women with no children who are dropping out of the labor force far faster than women with children and have more than offset any gains by mothers with younger children in recent years.

### Marital Status and the Labor Force Participation of Mothers

Labor force participation for mothers is also closely tied to marital status. Approximately two-thirds of all mothers ages 18 to 54 with a child under the age of 15 are married (Figure 10). However, those in the far smaller group of unmarried mothers are now more likely to participate in the labor force, with a participation rate roughly 2.5 percentage points higher relative to married mothers the past two decades.

## How Do Labor Force Participation Rates Vary Across the States?

State labor markets are not precise microcosms of the national labor market. Participation rates for various segments of the labor force vary greatly across the states. Participation rates also vary greatly within a state. This variation suggests that any policy efforts within a state to raise labor force participation rates must consider the unique characteristics of the labor market in each state.

There are stark differences in labor force participation rates across the states:

- Overall participation rates in 2019 vary from a low of 72.5% in West Virginia to 86.5% in Wisconsin.
- Thus, state rates range about 7 percentage points above and below the U.S. participation rate of 79.1% in 2019.
- Iowa has the highest rate for males (90.7%), while Mississippi has the lowest male rate (75.9%), a range of about 15 percentage points.
- South Dakota has the highest rate for females (83.7%), while West Virginia has the lowest female rate (68.0%), a range of about 16 percentage points.
- There is a wide divergence in the rankings between the sexes in many states. For example, the greatest variation in 2019 is found in Idaho, where males rank fifth in participation but females rank forty-first. Conversely, Maine ranks forty-sixth for males but thirteenth for females, while Massachusetts similarly ranks forty-fourth for males and eleventh for females.
- The participation rate of mothers is more volatile across the states than both female rates and overall rates. Wisconsin has the highest participation rate for working mothers with children ages 0 to 4 (84.6%), while Alaska has the lowest (56.0%). South Dakota has the highest participation rate for mothers with children ages 0 to 14 (86.4%), versus a low of only 63.1% in Alaska.
- Nationally, unmarried mothers are far more likely to be attached to the labor force than married mothers. The participation rate is 3.3 percentage points higher for unmarried mothers with a child aged 0 to 4, and 5.7 percentage points higher for unmarried mothers with a child aged 0 to 14.
- Several states have a significantly higher share of unmarried mothers in the labor force. Those with a rate at least 10 percentage points higher for unmarried versus married mothers with a child aged 0 to 4 include Arizona, Colorado, Delaware, Georgia, Idaho, Illinois, Indiana, Minnesota, Nevada, New Mexico, Rhode Island, Wisconsin, and Wyoming.
- Both the overall participation rate and the female participation rate in most states is closely correlated with the participation rate of women with no children in the household.

### Reports in the Series

*This report is the second of a four-part series related to use of paid child care in the U.S. and labor force participation of mothers. The first report focused on the use of paid child care and related characteristics of families using paid child care. This second report examines the labor force participation of mothers in greater detail. A third report will explore economic growth associated with increasing levels of maternal labor force participation and access to paid child care. The final report in the series will provide a data primer for those interested in learning more about the U.S. Census Bureau's Current Population Survey data utilization.*

*More detailed tables, figures, bar charts, and state information can be found on CED's web site at <https://www.ced.org/paidchildcare>. The data can be filtered by year, variable (such as labor force participation rate of mothers with young children or children age 0-14), and by state.*

