

Pricey Child Care Is Keeping Many Parents Out of the Workforce -- WSJ

March 18, 2023 5:30AM ET

By Harriet Torry | Photographs by Kim Raff for The Wall Street Journal

(Dow Jones) --

Many lower-income Americans who left the workforce when the pandemic began three years ago are staying on the sidelines because of a lack of child care, a factor contributing to worker shortages and historically low unemployment.

An estimated 380,000 Americans in their prime working years, aged 25 to 54, held jobs before the pandemic but no longer did late last year, according to estimates from Bank of America. Bank economists said the lack of affordable and quality child care is a significant factor.

Bank-account data shows 7% fewer customers were making child-care payments at the end of last year compared with the beginning of 2020. The decline comes despite a roughly 2% increase in the number of jobs in the U.S. since February 2020, Labor Department data shows.

"Affordable child care has been a big issue," said Anna Zhou, an economist at the Bank of America Institute, the bank's research arm. "Some people can't afford it, it's keeping lower earning workers at home."

Bank of America data show most prime-age workers who stopped working left lower-income jobs in the restaurant and retail sectors. Some 74% of the missing workers were in the bottom two quintiles by income distribution, while 6% of top earners quit working. The report defined missing workers as people who received paychecks by direct deposit for at least six months in 2019, but who no longer received them by the final quarter of 2022.

The findings add to signs that the high cost and limited availability of child care is keeping some parents out of the labor force even as employers are challenged to fill jobs.

A Federal Reserve report, known as the Beige Book, this month showed that a lack of available child care is impeding labor-force participation in many parts of the country. A Census Bureau survey conducted in mid-February said 4.9 million people missed work because they were caring for children not in daycare, roughly unchanged from a year earlier, showing persistent challenges even as the pandemic's effects otherwise fade. There were about 60,000 fewer daycare workers in the U.S. last month compared with February 2020, according to the Labor Department.

The lack of child care in combination with early retirements and lingering concerns over illness is a factor that has depressed the number of Americans seeking work, helping to push the unemployment rate to a 53-year low at the start of the year. The jobless rate edged higher to 3.6% in February.

Many Americans who stopped working during the pandemic are older, the Bank of America Institute report said. They are more likely to have retired. But relatively younger workers also stopped receiving paychecks in recent years, including about 11% of Generation X, those born between about 1965 and 1980, and roughly 13% of millennials, born 1981 to 1996, according to the report.

When Kaylee Farnes, 32 years old, found out she was pregnant with twins, she calculated that paying for child care -- enabling her to return to her job as a receptionist at a doctor's office -- would use up her entire paycheck.

"I would rather be at home than pay someone to watch them if it's net zero," she said.

Ms. Farnes, who lives with her husband and three children near Salt Lake City, occasionally does paid babysitting work. She would like to get a job now that her children are in preschool, but the half-day school schedule makes that complicated. "I'm trying to find something I can do from home or part-time," she said.

A survey by health-related website Everyday Health Group found that 22% of parents switched jobs or reduced work hours to prepare for a baby's arrival.

"It's just math: if small-business employees don't have access to affordable child care, they're likely to have to reduce their hours or quit," said Asahi Pompey, who is president of the Goldman Sachs Foundation and leads the firm's small business initiative. The situation often leads to negative consequences for workers, including decreased income, reduced savings and higher debt, she said.

The labor-force participation rate -- the share of adults who hold or are seeking a job -- was 62.5% in February, close to a percentage point below its prepandemic level of 63.3% in February 2020, according to the Labor Department.

That suggests "child care is a longer-term structural impediment to labor-force participation," said Nick Bunker, an economist at the jobs site Indeed. "Balancing life and work is a big issue outside of what we saw over the past few years."

Write to Harriet Torry at harriet.torry@wsj.com

(END) Dow Jones Newswires