

The Cost of Inaction: How a Lack of Family Care Policies Burdens the U.S. Economy and Families

By Amanda Novello

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The past year made clear how essential investments in care are keeping our society, economy and families going. Passage of the American Families Plan (AFP) can be a transformative moment to make the United States economy more competitive, regain lost ground toward gender and racial equity and ease the burden of working families.

The AFP includes urgently-needed policy solutions that will support families, create jobs and generate economic activity – including investments in paid family and medical leave, child care, preschool, higher education and tax credits that families rely on. This plan also recognizes that our nation’s paid caregiving workforce, mostly women of color, should not have to work at poverty wages and sacrifice their own dignity and well-being without the support they deserve.

Fewer women in the workforce costs the U.S. economy more than \$650 BILLION EACH YEAR.

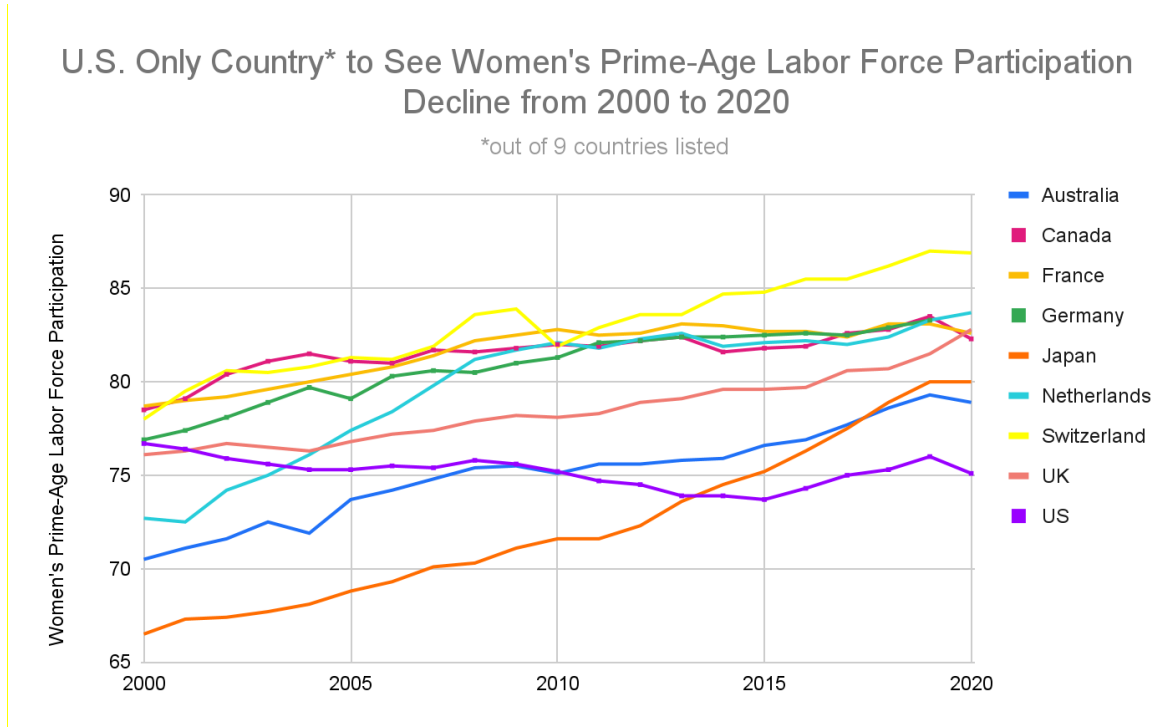
Hard-won policy victories including the Civil Rights Act, the Equal Pay Act and the Americans with Disabilities Act led to decades of gains for women’s economic security and participation in the twentieth century. But insufficient investment in family policies stalled progress beginning in the 1990s – and that slow-building crisis came to a head during the coronavirus pandemic last year, when women faced work and caregiving challenges like never before. With no national paid leave law in place, and only 10 states including the District of Columbia offering paid family and medical leave to workers, just 21 percent of working people in the U.S. have access to paid family leave and only 40 percent have paid medical leave through short-term disability insurance.¹ In addition, the steep rise in the cost of child care (and inaccessibility worsening during the pandemic) has contributed to the decline in the ability of women to be in the labor force, improve family economic security and sustain their careers.²

If labor force participation for American prime-age women – those aged 25 to 54 – was currently at rates similar to those of women in Canada, Germany and the United

Kingdom, there would be **up to 4.85 million more women in the workforce** than there are now. That amounts to \$237 billion in wages per year directly for women and families that are “left on the table,” and **\$650 billion per year to the economy overall** – 2.9 percent of total GDP.³

That includes an **increase in GDP losses of \$97 billion** since the COVID-19 pandemic began. Over the course of the pandemic, even more women were pushed out of the labor force due to increased family caregiving needs as well as the impacts of pandemic closures on industries that disproportionately employed women. The women’s labor force participation rate dropped further to 75 percent in 2020. Except for Canada, the United States saw the steepest one-year decline in participation from 2019 to 2020, among select OECD countries.

In all, GDP lost due to lower women’s labor force participation amount to more than \$3 trillion over a five-year period.



Source: OECD data, 2000-2020.

Note: Select OECD countries are based on GDP levels and relevance to the American labor market context. For example, Italy, Spain, Mexico and Turkey, although ranking high in GDP levels, are excluded due to their large informal economies (e.g. see [ILO](#) figure 2), making labor market comparisons difficult.

Women of Color Are Especially Harmed by the Lack of Family Support

While a lack of family policies impacts everyone, women – especially women of color – have continued to bear disproportionate responsibilities for caregiving, before the pandemic and throughout it.⁴ Women, those aged 25-54 who are more likely to both have careers and also take on care responsibilities, have seen labor force participation

rates decline over the past 20 years – from 76.7 percent in 2000 to 76 percent in 2019. The U.S. is the only wealthy country among its peers to see this group’s labor force participation decline during this time. In contrast, Canada’s rate has increased by 5 percentage points, the UK’s by 5.4 and Germany’s by 6.4, from 2000 to 2019.

The pandemic increased the United States’ annual GDP loss by nearly \$100 billion.

This estimated cost is high because women of color and all U.S. workers have been struggling with insufficient policies for decades, relative to those in other countries who have steadily increased participation and productivity due to availability of paid leave and many other factors. Other analyses,

that have estimated costs to women and the economy based on current levels of participation and potential policy changes, have been more modest yet sizable. The Center for American Progress estimated that lack of adequate child care and paid leave cost workers nearly \$32 billion per year (\$160 billion over 5 years).⁵ TIME’S UP recently estimated that the Biden Administration’s American Jobs Plan and American Families Plan have the potential to enable 3 million women to reenter the labor force, which at the median would generate up to \$147 billion in wages, annually.⁶

State-Level Losses to Women and Families

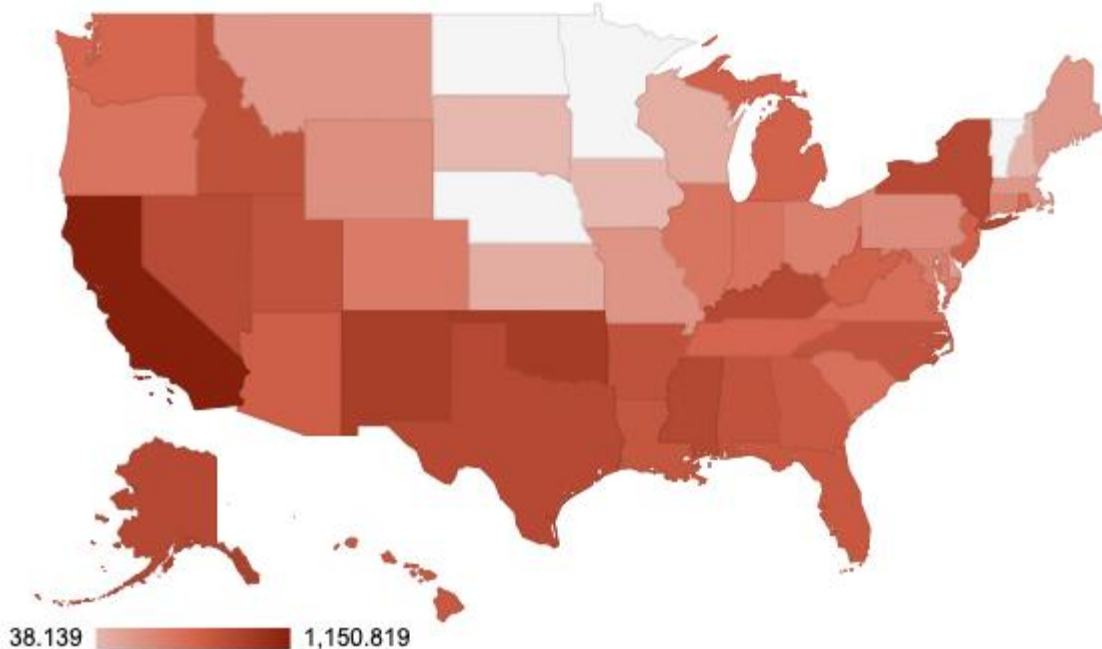
The pandemic showed the nation what many women and caregivers have known for decades: care is the backbone of the U.S. economy. Yet for too long, policymakers have failed to recognize how a robust national care infrastructure builds a stronger economy. As a result, the people who make up the foundation of our service sector economy suffered. Care workers – predominantly women of color – face economic insecurity. Parents, people with disabilities and others who rely on care workers cannot afford or access the quality care they need. Families suffer from income loss. Employers face lost talent and a reduced potential workforce. And this all adds up to smaller and less vibrant state and national economies – which in turn mean fewer opportunities for working families and entrepreneurs.

The AFP offers an opportunity for policymakers to invest in comprehensive care infrastructure, including paid family and medical leave, quality, affordable child care and long-term care systems including home and community-based services that will strengthen our economic foundations. As laid out in the plan, these investments would lead to generational change in family economic security, improved public health and gender and racial equity, with measurable benefits to women and families across the country.

If women in each state participated at the same levels as the comparison countries mentioned earlier, almost every state in the U.S. would benefit greatly from additional wages, productivity and further economic activity. The map below shows how many

more women would be in the labor force at comparison country participation levels, and, based on state-level median wages for women, total additional wages that would be in the pockets of women and families in each state.

Estimated Lost Wages per Capita Due to Fewer Women in the Workforce



Source: BLS data and authors' calculations.

States like Texas, Florida, Nevada, Arizona and others in which prime-age women's labor force participation rates are below 75 percent would benefit the most from pro-family policies that enable more women to hold jobs and contribute more to the economy. Florida, New York, Texas and California all lose out on more than \$10 billion in economic activity per year due to low participation rates. While some states, including New York and California, do have paid leave programs that have increased labor force participation among caregivers,⁷ a national program with more equitable benefits and strengthened public outreach will improve awareness and uptake, ensuring these states benefit from the full labor market effects of paid leave. Five states – Vermont, Nebraska, North Dakota, Minnesota and the District of Columbia – have prime-age women's labor force participation equal to or above the level of comparison countries.

Appendix Table: State-Level Impacts of Increased Women’s Labor Force Participation

If prime-age women's labor force participation in the United States were at levels comparable to those of Canada, Germany and the U.K.

State	Prime-Age Women's LFPR (2020)	Additional Women Who Would Be in Labor Force	State Median Weekly Wage	Potential Total Wages Gained	Wages Gained, Per Capita
California	70.7	959,880	\$911	\$45,471,435,360	\$1,151
Oklahoma	69.7	99,796	\$708	\$3,674,089,536	\$929
New Mexico	69.1	50,844	\$717	\$1,895,667,696	\$904
Mississippi	70.5	70,272	\$669	\$2,444,622,336	\$821
Texas	72.5	592,388	\$772	\$23,780,823,872	\$820
Alaska	73.7	13,092	\$878	\$597,728,352	\$817
New York	73.9	338,368	\$895	\$15,747,646,720	\$809
Kentucky	71.3	96,036	\$724	\$3,615,563,328	\$809
Nevada	73.1	61,264	\$776	\$2,472,124,928	\$803
Idaho	71.7	37,864	\$682	\$1,342,808,896	\$751
Arkansas	71.8	60,884	\$714	\$2,260,501,152	\$749
Utah	73.2	60,360	\$755	\$2,369,733,600	\$739
Alabama	72.5	95,696	\$726	\$3,612,715,392	\$737
North Carolina	73.5	191,960	\$770	\$7,686,078,400	\$733
Louisiana	73	88,200	\$720	\$3,302,208,000	\$710
Florida	73.7	375,532	\$759	\$14,821,496,976	\$690
Hawaii	74.4	21,968	\$847	\$967,558,592	\$683
Georgia	74.4	182,276	\$765	\$7,250,939,280	\$683
Arizona	74.7	116,836	\$781	\$4,744,943,632	\$652
West Virginia	73.2	30,336	\$715	\$1,127,892,480	\$629
New Jersey	76.2	114,580	\$932	\$5,553,005,120	\$625
Michigan	75	148,760	\$803	\$6,211,622,560	\$622
Tennessee	74.6	105,948	\$739	\$4,071,369,744	\$596
Washington	76.6	96,852	\$889	\$4,477,274,256	\$588
Rhode Island	76.6	12,568	\$884	\$577,725,824	\$545
Virginia	77.4	94,376	\$928	\$4,554,208,256	\$534
South Carolina	75.8	69,516	\$733	\$2,649,671,856	\$515
Indiana	75.9	89,120	\$726	\$3,364,458,240	\$500
Oregon	77	47,928	\$836	\$2,083,526,016	\$494
Illinois	77.4	133,192	\$886	\$6,136,421,824	\$484
Colorado	78.1	54,512	\$913	\$2,588,011,712	\$449
Ohio	77.4	113,252	\$825	\$4,858,510,800	\$416

State	Prime-Age Women's LFPR (2020)	Additional Women Who Would Be in Labor Force	State Median Weekly Wage	Potential Total Wages Gained	Wages Gained, Per Capita
Maryland	78.9	47,084	\$1,017	\$2,489,990,256	\$412
Connecticut	78.7	27,932	\$972	\$1,411,795,008	\$396
Pennsylvania	78.5	97,076	\$828	\$4,179,704,256	\$326
Wyoming	78.9	4,456	\$762	\$176,564,544	\$305
Missouri	79.3	40,964	\$786	\$1,674,280,608	\$273
Massachusetts	80.4	34,060	\$1,012	\$1,792,373,440	\$260
Montana	79.1	7,116	\$739	\$273,453,648	\$256
Maine	79.3	8,408	\$772	\$337,530,752	\$251
Delaware	80.2	5,072	\$790	\$208,357,760	\$214
Kansas	81.1	8,592	\$733	\$327,492,672	\$112
Wisconsin	81.6	14,252	\$832	\$616,598,528	\$106
New Hampshire	82.3	1,968	\$893	\$91,386,048	\$67
Iowa	82.2	3,304	\$770	\$132,292,160	\$42
South Dakota	82.3	856	\$758	\$33,740,096	\$38
Nebraska	83	N/A	\$786	N/A	N/A
Vermont	83.1	N/A	\$879	N/A	N/A
North Dakota	84.2	N/A	\$783	N/A	N/A
Minnesota	85.1	N/A	\$909	N/A	N/A
District of Columbia	84.4	N/A	\$1,406	N/A	N/A

Source: BLS LAUS compilation of CPS labor force data, 2019 Census population estimates, and authors' calculations.

¹ U.S. Bureau of Labor Statistics. (2020, September). *National Compensation Survey: Employee Benefits in the United States, March 2020 (Tables 16 and 31)*. Retrieved 23 July 2021, from <https://www.bls.gov/ncs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>

² Schochet, L. (2019, March). *The Child Care Crisis Is Keeping Women Out of the Workforce*. Center for American Progress Publication. Retrieved 26 July 2021, from <https://www.americanprogress.org/issues/early-childhood/reports/2019/03/28/467488/child-care-crisis-keeping-women-workforce/>; and Saad-Lessler, J. & Bahn, K. (2017, September). *The Importance of Paid Leave for Caregivers*. Center for American Progress Publication. Retrieved 26 July 2021, from <https://www.americanprogress.org/issues/women/reports/2017/09/27/439684/importance-paid-leave-caregivers/>

³ Author's calculation based on OECD Labor Force Statistics, U.S. Congressional Budget Office 10-Year Economic Projections, and U.S. Bureau of Labor Statistics estimates of women age 25-54 in the labor force and median usual weekly earnings for women working full time, year-round.

⁴ Mason, J. & Molina Acosta, P. (2021, March). *Called to Care: A Racially Just Recovery Demands Paid Family and Medical Leave*. National Partnership for Women & Families Publication. Retrieved 23 July 2021, from <https://www.nationalpartnership.org/our-work/economic-justice/reports/called-to-care-a-racially-just-demands-paid-family-and-medical-leave.html>; Glynn, S. J. (2018, May). *An Unequal Division of Labor: How Equitable Workplace Policies Would Benefit Working Mothers*. Center for American Progress Publication. Retrieved 23 July 2021, from <https://www.americanprogress.org/issues/women/reports/2018/05/18/450972/unequal-division-labor/>; Ranji, U., Frederiksen, B., Salganicoff, A., & Long, M. (2021, March). *Women, Work, and Family During COVID-19: Findings from the KFF Women's Health Survey*. Kaiser Family Foundation Publication. Retrieved 23 July 2021, from <https://www.kff.org/womens-health-policy/issue-brief/women-work-and-family-during-covid-19-findings-from-the-kff-womens-health-survey/>; ~:text=to%20the%20pandemic,Over%20one%20in%20ten%20women%20report%20that%20they%20have%20new,assistance%20prior%20to%20the%20pandemic

⁵ Glynn, S. J. (2020, January). *The Rising Cost of Inaction on Work-Family Policies*. Center for American Progress Publication. Retrieved 23 July 2021, from <https://www.americanprogress.org/issues/women/news/2020/01/21/479555/rising-cost-inaction-work-family-policies/>

⁶ Kohler, J., Odiase, S., & Forden, J. (2021, July). *The economy can't survive without women*. TIME'S UP Foundation Publication. Retrieved 23 July 2021, from https://timesupfoundation.org/wp-content/uploads/2021/07/TimesUp-Economy_Two-Page_6.pdf

⁷ Saad-Lessler, J. (2020). How does paid family leave affect unpaid care providers? *The Journal of the Economics of Ageing*. 17: 100265. doi: 10.1016/j.jeoa.2020.100265

The National Partnership for Women & Families is a nonprofit, nonpartisan advocacy group dedicated to promoting fairness in the workplace, reproductive health and rights, access to quality, affordable health care and policies that help all people meet the dual demands of work and family. More information is available at NationalPartnership.org.

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