

# How Childcare Impacts the State’s Economy and Shapes Florida’s Workforce

JULY 2022

## Childcare Impacts on Workforce Participation

The economic importance of early childhood education extends far beyond the direct development benefits for children and the associated long-term outcomes. Having sufficient access to quality childcare provides an added, more immediate benefit to working parents who oftentimes must weigh caregiving responsibilities with maintaining a job. Early learning opportunities thereby support workforce participation and advancement, strengthening the overall economy. At the same time, however, childcare challenges can form a prohibitive barrier to parents seeking to stay engaged in the workforce when there is an insufficient supply of affordable or quality childcare options.

Throughout Florida, there are approximately 1.3 million children under the age of six, according to U.S. Census Bureau data.<sup>1</sup> Around 68.1 percent of these children, corresponding to 878,949 children, had all available parents participating in Florida’s workforce (See Table 1).<sup>2</sup> Furthermore, some 298,000 children (23.1 percent of the total) had only one of two parents in the labor force, and more than 114,000 children (8.9 percent of the total) had no parents in the labor force.

TABLE 1. FLORIDA CHILDREN YOUNGER THAN 6 WITH PARENT(S) IN OR OUT OF THE LABOR FORCE

<b>Number of Children Under 6 years:</b>	<b>1,291,440</b>
<b>Living with two parents:</b>	<b>791,645</b>
Both parents in labor force	478,557
Father only in labor force	269,726
Mother only in labor force	28,401
Neither parent in labor force	14,961
<b>Living with one parent:</b>	<b>499,795</b>
Living with father:	117,270
In labor force	106,941
Not in labor force	10,329
Living with mother:	382,525
In labor force	293,451
Not in labor force	89,074
Source: U.S. Census Bureau, American Community Survey (ACS), 2020 5-Year Estimates	

Whether labor market nonparticipation is due exclusively to childcare challenges is difficult to pinpoint without supplemental details. Based on additional survey data from 2019-2020, however, some 13.3 percent of working parents surveyed in Florida—equating to 183,394 respondents—signaled they experienced or knew of someone in the family who quit a job, did not take a job, or greatly change the job because of childcare problems in 2019-2020.<sup>3</sup>

1 U.S. Census Bureau, American Community Survey (ACS), Table B09001: Population Under 18 by Age - Florida, ACS 2020 5-Year Estimates, Retrieved on June 8, 2022.  
 2 U.S. Census Bureau, American Community Survey (ACS), Table B23008: Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents - Florida, ACS 2020 5-Year Estimates, Retrieved on June 8, 2022. Note: When referring to Table 1, children in the "Father only in labor force" or "Mother only in labor force" categories are not included in the 879,000 amount.

3 Data Resource Center for Child & Adolescent Health, "2019-2020 National Survey of Children's Health, Indicator 6.17: Job change due to problems with childcare, age 0-5 years," Available at <https://www.childhealthdata.org/browse/survey/results?q=8778&r=1&r2=11>

Thus, childcare availability and access can have significant impacts on parents' employment outcomes.

Balancing work obligations and family responsibilities have long been a reality for many working parents. Yet as the COVID-19 pandemic upended daily life and the economy in 2020, disruptions to employment, schooling, and childcare had enormous implications for working parents, especially for those with young children. As a result, many parents altered their work arrangements or left the labor force altogether to care for their children at home. On a national level, fathers and mothers of young children left the labor force at significant rates in April 2020—3.4 and 2.9 percentage point declines respectively when compared to late 2019 before the pandemic.<sup>4</sup>

When considering the course of labor force participation in Florida throughout the pandemic, a similar trend appears for prime working aged parents (25-54 years old) with young children. The labor force participation rate (LFPR) for parents with children ages 5 and under dropped 9.7 percentage points between March and

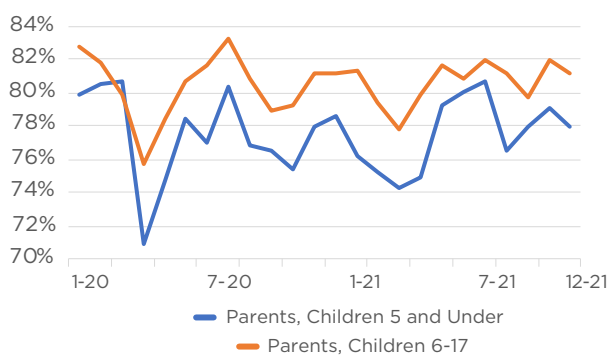
April of 2020 as the pandemic spread (See Figure 1). By comparison, the LFPR for parents with school-aged children fell by a smaller yet still consequential 4.2 percentage points between March and April 2020. For parents with young children, labor force participation has remained below pre-pandemic levels and, as of the first quarter in 2022, the LFPR averaged 78.1 percent, nearly 2.3 percentage points lower than the first quarter in 2020.<sup>5</sup>

Even though lackluster participation rates persisted among parents with young children, significant differences emerged when differentiating between mothers and fathers. Declines in participation were most pronounced among mothers of young children. On a national scale, in November 2020, mothers of young children were 2.2 percentage points more likely than a year prior to report care responsibilities were keeping them out of the labor force.<sup>6</sup>

In 2021, family responsibilities and difficulties arranging childcare were the most frequently listed

**FIGURE 1. PRIME-AGE FLORIDA PARENTS WITH YOUNG CHILDREN HAVE EXPERIENCED LOWER LABOR FORCE PARTICIPATION RATES THROUGHOUT THE PANDEMIC**

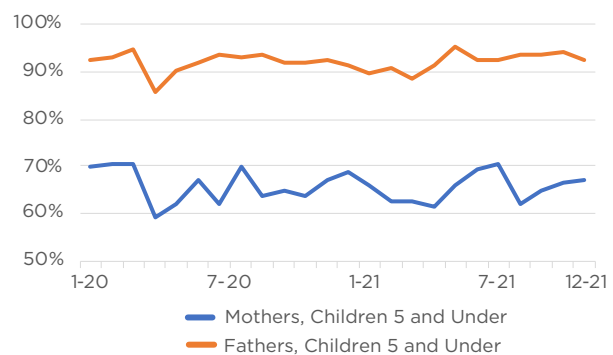
LABOR FORCE PARTICIPATION RATE FROM JAN. 2020 TO DEC. 2021



Source: Author's Calculation of Integrated Public Use Microdata Series (IPUMS), Current Population Survey (CPS)

**FIGURE 2. PRIME-AGE MOTHERS WITH YOUNG CHILDREN STEPPED OUT OF THE FLORIDA LABOR FORCE AT HIGHER RATES THAN FATHERS**

LABOR FORCE PARTICIPATION RATE FROM JAN. 2020 TO DEC. 2021



Source: Author's Calculation of Integrated Public Use Microdata Series (IPUMS), Current Population Survey (CPS)

4 Federal Reserve Bank of Minneapolis, "Pandemic pushes mothers of young children out of the labor force," Feb. 2, 2021.

5 Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, J. Robert Warren and Michael Westberry. Integrated Public Use Microdata Series, Current Population Survey: Version 9.0 [dataset]. Minneapolis, MN: IPUMS, 2021. Accessed via IPUMS-CPS. Note: Author's calculations for deriving the labor force participation rate for Florida parents ages 25-54 with young children.

6 Federal Reserve Bank of Minneapolis, "Pandemic pushes mothers of young children out of the labor force," Feb. 2, 2021.

TABLE 2. HOUSEHOLD RESPONSES FOR FLORIDA PARENTS FACING DIFFICULTIES ARRANGING CHILDCARE

Survey Week	An adult in the household took unpaid leave to care for children	An adult in the household used paid leave in order to care for children	An adult in the household cut work hours in order to care for children	An adult in the household left a job in order to care for children	An adult in the household lost a job because of time away to care for children	An adult in the household did not look for a job in order to care for children
Jul. 21 - Aug. 2, 2021	87,900	55,359	105,601	5,827	15,771	89,569
Aug. 4 - Aug. 16, 2021	100,335	124,909	287,305	74,704	10,251	110,817
Aug. 18 - Aug. 30, 2021	270,205	105,887	65,229	94,760	61,776	40,921
Sept. 1 - Sept. 13, 2021	138,408	103,491	83,606	108,975	93,899	65,136
Sept. 15 - Sept. 27, 2021	148,849	183,639	191,013	115,924	111,545	117,554
Sept. 29 - Oct. 11, 2021	153,571	46,535	72,960	67,179	45,417	114,321
Dec. 1 - Dec. 13, 2021	71,108	52,108	36,274	57,387	3,503	19,345
Dec. 29 - Jan. 10, 2022	171,175	147,934	174,531	73,755	52,558	48,739
Jan. 27 - Feb. 7, 2022	208,353	266,348	177,438	144,686	23,694	75,088
Mar. 2 - Mar. 14, 2022	154,898	112,442	140,570	114,228	13,154	47,049
Mar. 30 - Apr. 11, 2022	33,838	51,374	82,638	92,314	31,906	49,484
Apr. 27 - May 9, 2022	172,888	78,804	156,483	72,602	42,048	55,521
Totals	1,711,528	1,328,830	1,573,648	1,022,341	505,522	833,544

Source: U.S. Census Bureau, Household Pulse Survey - Florida - Weeks 34-45. Note: The household pulse survey did not start asking this specific question about childcare arrangements in the last 4 weeks for children under 5 years old until early July 2021. Question allowed for multiple responses.

reasons given by mothers of young children for remaining sidelined from the labor force.<sup>7</sup>

In Florida, among prime working aged mothers with young children, LFPR fell by 11.2 percentage points between March and April 2020, outpacing the decline among fathers, who experienced a decline of 8.5 percentage points (See Figure 2). Even though participation rates for fathers recovered to January-February 2020 levels in a few months,<sup>8</sup> participation rates for mothers continued below pre-pandemic levels throughout the rest of 2020 and most of 2021. According to past Florida TaxWatch research on women leaving the workforce,<sup>9</sup> nearly 50,000 more women cited they were not looking for work to take care of their

family in December 2021 compared to December 2019. Further, the state of Florida is home to an estimated 170,000 women who left the workforce and never returned.<sup>10</sup>

Although labor market nonparticipation represents the most pronounced cost for families and the economy, not all parents who experienced childcare difficulties dropped out of the workforce. A sizeable portion of Florida parents remain employed but cut back hours or took paid/unpaid leave, suggesting a mix of turnover and absences riddled the economic recovery. The subsequent reduction in output and productivity has a compounding cost on local businesses, which must contend with labor supply bottlenecks and worker shortages.

Throughout the pandemic, the U.S. Census Bureau began administering a Household Pulse Survey to

7 Federal Reserve Bank of St. Louis, "Child care remains central to an equitable recovery," Feb. 17, 2022.

8 According to Florida TaxWatch analysis of IPUMS-CPS data for prime-aged parents in Florida, fathers of young children had participation rates above 93.3 percent by July and August of 2020, exceeding the pre-pandemic level found in January and February 2020 (92.7 percent).

9 Florida TaxWatch, Working Paper: Where are the Women?, Jan. 21, 2022.

10 Florida TaxWatch, Working Paper: Where are the Women?, Jan. 21, 2022.

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provide a snapshot of how individuals and families were affected. Based on responses between late July 2021 and early May 2022, 1.7 million Florida respondents reported having an adult in the household take unpaid leave due to challenges with daycare or other childcare arrangements (See Table 2).<sup>11</sup> More than 1.3 million respondents reported taking paid leave and 1.6 million noted cutting back work hours due to childcare challenges. Furthermore, a combined 1.5 million Florida respondents reported having an adult in the household who left a job or lost a job due to issues with childcare.<sup>12</sup> When assessing the demographic characteristics of respondents, it becomes apparent childcare arrangements were especially pronounced among respondents between the ages of 25-39, females, those with a high school education, and those with household incomes below \$50,000 a year.<sup>13</sup>

It should be acknowledged that these household survey figures capture survey responses from summer 2021 and onwards. Notably absent are data from survey periods earlier in the pandemic when virus concerns led to physical shutdowns and social quarantining. The U.S. Census Bureau did not begin asking specific questions about childcare arrangements for children under 6 until later in 2021.<sup>14</sup> Based on a different survey, conducted by The Florida Children's Movement of Florida and Sachs Media in 2020, 60 percent of surveyed working parents had issues with childcare that impacted their ability to participate in the workforce.<sup>15</sup> Furthermore, some 19 percent of parents quit a job to care for children and 12

percent took a leave of absence to care for children. Dealing with career advancement and skills training, around 9 percent of parents turned down promotions while 11 percent were unable to complete training or schooling.

*"We often discuss the childcare sector and early childhood development in terms of their long-run benefits for children and therefore the long-run health of our society and economy. But childcare also matters in the here and now, as has been made painfully clear by the pandemic recession."*

FEDERAL RESERVE BANK OF MINNEAPOLIS<sup>16</sup>

## Statewide Economic Impact in Florida

Quantifying the overall economic impact of childcare on Florida's economy is complicated by variations across regions, family characteristics, and other factors. Nevertheless, this analysis seeks to calculate the aggregate impact to the workforce by employing similar methodologies found in previous statewide studies for Maryland, Louisiana, and Georgia.<sup>17</sup> These prior studies assess the cumulative costs due to employee turnover and absences in their respective states. To contribute Florida-specific figures and childcare experiences, the analysis incorporates response data from the Children's Movement of Florida's Working Parent Survey of 2020.<sup>18</sup>

The following calculations follow a basic rationale that working parents with young children optimize their labor market involvement by making decisions that best achieve "work life balance" between caregiving and earning an income. When working parents face significant child-care related disruptions, these

11 U.S. Census Bureau, Household Pulse Survey: Florida, Table 2. Childcare Arrangements in the Last 4 Weeks for Children Under 5 Years Old, by Select Characteristics, Accessed Jun. 9, 2022. Note: Questions allowed for multiple responses.

12 Ibid.

13 With each U.S. Census Bureau Household Survey release, additional demographic details are provided on the respondents. Florida TaxWatch aggregated the demographic category totals from Week 34 to Week 45 to derive the most common characteristics.

14 Note: Week 1 of the Household Pulse Survey: April 23 – May 5, 2020 was first released on May 20, 2020. The U.S. Census Bureau did not begin asking about childcare disruptions until Week 28 (April 14 – April 26, 2021) and did not ask about childcare disruptions for children under 6 until Week 34 (July 21 – August 2, 2021)

15 The Children's Movement of Florida and Sachs Media, "Florida's 2020 Working Parent Survey," Accessed June 9, 2022.

16 Federal Reserve Bank of Minneapolis, "Pandemic pushes mothers of young children out of the labor force," Feb. 2, 2021.

17 See the following three state studies: (1) Maryland Family Network, "Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System," 2018; (2) Louisiana State University (LSU) Public Policy Research Lab, "Losing Ground: How Child Care Impacts Louisiana's Workforce Productivity and the State Economy," 2017; (3) Georgia Early Education Alliance for Ready Students (GEARS), "Opportunities Lost: How Child Care Challenges Affect Georgia's Workforce and Economy," 2018.

18 The Children's Movement of Florida and Sachs Media, "Florida's 2020 Working Parent Survey," Accessed June 9, 2022.

**Table 3. Absenteeism and Turnover Rates in Statewide Childcare Impact Studies**

Workforce Disruptions	Maryland	Louisiana	Georgia	Florida	Average
Percent of Individuals with Childcare-Related Absenteeism	34.1%	40.6%	56.8%	55.0%	46.6%
Annual Days of Absenteeism	16.9	14.0	7.0	-	12.6
Percent of Individuals with Childcare-Related Turnover	1.7%	4.0%	3.5%	23.0%	8.1%
Unable to go from Part-Time to Full-Time (Single Parent)	4.3%	6.3%	33.4%	7.0%	12.8%
Unable to go From Part-Time to Full-Time (Married Parent)		3.2%	14.5%		7.3%
Went from Full-Time to Part-Time (Single Parent)	8.8%	12.4%	28.8%	8.0%	14.5%
Went from Full-Time to Part-Time (Married Parent)		6.2%	19.8%		10.7%
Turned Down a Promotion (Single Parent)	7.5%	10.5%	16.7%	9.0%	10.9%
Turned Down a Promotion (Married Parent)		3.3%	17.9%		9.4%

Source: University of Nebraska Lincoln Report, "The Bottom Line: Economic Impacts of Inadequate Child Care Access in Nebraska," Aug. 4, 2020; Children's Movement of Florida, "Florida's 2020 Working Parent Survey"

interruptions may result in absences, tardiness, or eventual loss of employment. Alternatively, access to quality services may bolster workforce outcomes and lead to long-term career advancement. According to U.S. Census Bureau data, and forming the baseline for the forthcoming calculations, there are approximately 1,325,793 parents with children age six and under who are employed in Florida.<sup>19</sup>

According to previous statewide studies (i.e., Louisiana, Maryland, Georgia), respondents often reported both short-term disruptions related to missing work or being absent for a defined period of time and long-term disruptions, such as being laid off or quitting a job.<sup>20</sup> For the parent, a sudden loss of income can serve as a sizeable shock to family finances and pose risks to children. For the employer, prolonged absenteeism can result in reduced productivity and ultimately added costs related to hiring and recruiting new talent. In the previous state studies, between 34.1 percent and 56.8 percent of individuals surveyed reported childcare-

related absenteeism (See Table 3).

The average annual days of absenteeism spanned anywhere from seven full work days to 17 days, and some of the working parents surveyed signaled a hesitancy to move from part-time to full-time or to accept a promotion.<sup>21</sup>

Based on Florida-specific survey responses, around 55 percent of working parents had to either limit work hours or take a leave of absence to care for children (See Table 3).<sup>22</sup> Relating to turnover, some 19 percent of surveyed parents reported quitting a job and four percent were fired for childcare-related reasons.<sup>23</sup> Hindering career advancement potential, childcare issues led to nine percent of parents turning down a promotion and eight percent downgrading from full-time to part-time work status. Unlike previous statewide studies, the Florida survey did not separate all categories according to marital status; however, mothers consistently reported higher rates of absenteeism and turnover throughout the study.

19 U.S. Census Bureau, American Community Survey (ACS), 5-Year Estimates Public Use Microdata for Florida, Accessed Jun. 13, 2022. Note: Florida TaxWatch uses two variables "HUPAOC" (household presence and age of own children) and "WORKSTAT" (work status of householder or spouse in family households) to approximate.

20 University of Nebraska Lincoln, Final Report: The Bottom Line: Economic Impacts of Inadequate Childcare Access in Nebraska, Aug. 4, 2020. Note: The Nebraska report summarizes the Louisiana, Maryland, and Georgia studies while tailoring calculations to Nebraska's own labor force.

21 University of Nebraska Lincoln, Final Report: The Bottom Line: Economic Impacts of Inadequate Childcare Access in Nebraska, Aug. 4, 2020. See Table 3. On Page 5.

22 The Children's Movement of Florida and Sachs Media, "Florida's 2020 Working Parent Survey," Accessed June 9, 2022. Florida TaxWatch combined the two categories "had to limit work hours" and "took a leave of absence for children."

23 The Children's Movement of Florida and Sachs Media, "Florida's 2020 Working Parent Survey," Accessed June 9, 2022." Florida TaxWatch combined the two categories "quit a job to care for children" and "were fired."

Given the variation in absenteeism rates across studies, this analysis incorporates average absenteeism and turnover rates across all four state surveys to quantify economic impacts. Furthermore, the study includes average annual wage amounts for working parents in Florida with children under six. Derived from 2020 and 2021 Annual Social and Economic Supplements (ASEC) data, working parents of young children are assumed to make \$53,042 in annual income and an average hourly wage of \$25.50.<sup>24</sup>

To calculate the cost of absenteeism (i.e., missing work) due to childcare challenges in Florida, this report combines information from Table 3 and the average hourly wage amount discussed previously. Absenteeism reduces the incomes of working parents while hampering output and productivity for employers. Across all four state studies, an average of 46.6 percent of working parents reported absenteeism.

Assuming 630,475 working parents (46.6 percent of Florida's workforce with young children) missed an average of 12 days a year, this would create an economic cost of \$1,512,422,229 per year.<sup>25</sup>

To calculate the cost of turnover (i.e. quitting or getting fired), this report assumes parents experiencing a loss of employment incur a cost equivalent to their average annual earnings, and employers sustain an estimated cost of turnover roughly 21 percent of a worker's annual earnings due to searching for and training new employees.<sup>26</sup> In Florida, an estimated 107,390 working parents (8.1 percent of Florida's workforce with young children) experience an aggregate income loss of

\$5,696,139,697 annually due to child-care related turnover.<sup>27</sup> For employers, the turnover costs for replacing workers equates to \$1,196,189,336.<sup>28</sup>

Reductions in potential income, business output, and productivity have added impacts on tax revenue. When a parent, for example, loses income and spends less in the economy on goods and services, this results in less sales tax revenue. Additionally, when businesses receive fewer sales and less revenue, the state collects less in corporate income tax revenue.

According to the Tax Foundation, Florida possessed an effective tax burden of 9.1 percent in 2022.<sup>29</sup> Assuming the loss of earnings mentioned in the previous paragraph—\$5,696,139,697—translates into a loss of tax revenue, the fiscal cost to Florida due to childcare is estimated to be \$518,348,712.<sup>30</sup>

Lastly, it should be noted these estimated costs should be viewed as conservative estimates. Because the calculations are based on the number of working parents with young children, the impacts do not account for the foregone earnings for parents outside of the labor force. Financial disruptions for individual families cascade throughout the economy, creating a multiplier effect on industries across the community.

Although the present analysis does not incorporate multiplier estimates, these effects could be reasonably assumed to increase the cost to Florida's economy. Future analyses should seek to account for these additional factors while also exploring differences between full-time/part-time status, regions, and industries of employment.

24 Florida TaxWatch Analysis of U.S. Current Population Survey (CPS) 2020 and 2021 Annual Social and Economic Supplements (ASEC), Accessed on Jun. 13, 2022. The calculations are based on average wage and salary data for Florida working parents with children under the age of 6.

25 This calculation assumes workers who experience absenteeism miss an average of 12 days (See Table 3 - "Annual Days of Absenteeism"), making an average hourly wage of \$25.50. When combined, this cost equals: 96 hours \* \$25.50 hourly wage \* 630,475 adults = \$1,512,422,229 economic cost.

26 Past state studies assume a conservative 20.7 percent cost of turnover for employers. See Maryland Family Network, Counting our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System, 2018.

27 The 8.1 percent figure is based on Table 3's average for "Percent of Individuals with Childcare-Related Turnover." 8.1 percent of Florida's workforce population with young children =  $0.081 * 1,325,794 = 107,390$ . To calculate the aggregate income loss for employees:  $107,390 * \$53,042$  (average annual salary) = \$5,696,139,697.

28 To calculate the aggregate turnover cost for employers:  $\$5,696,139,697 * 0.21 = \$1,196,189,336$

29 Tax Foundation, "State and Local Tax Burdens, Calendar Year 2022, Apr. 7, 2022.

30 Tax revenue loss =  $0.091 * \$5,696,139,697 = \$518,348,712$ .

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