Covid, Maternal Employment, and AB131

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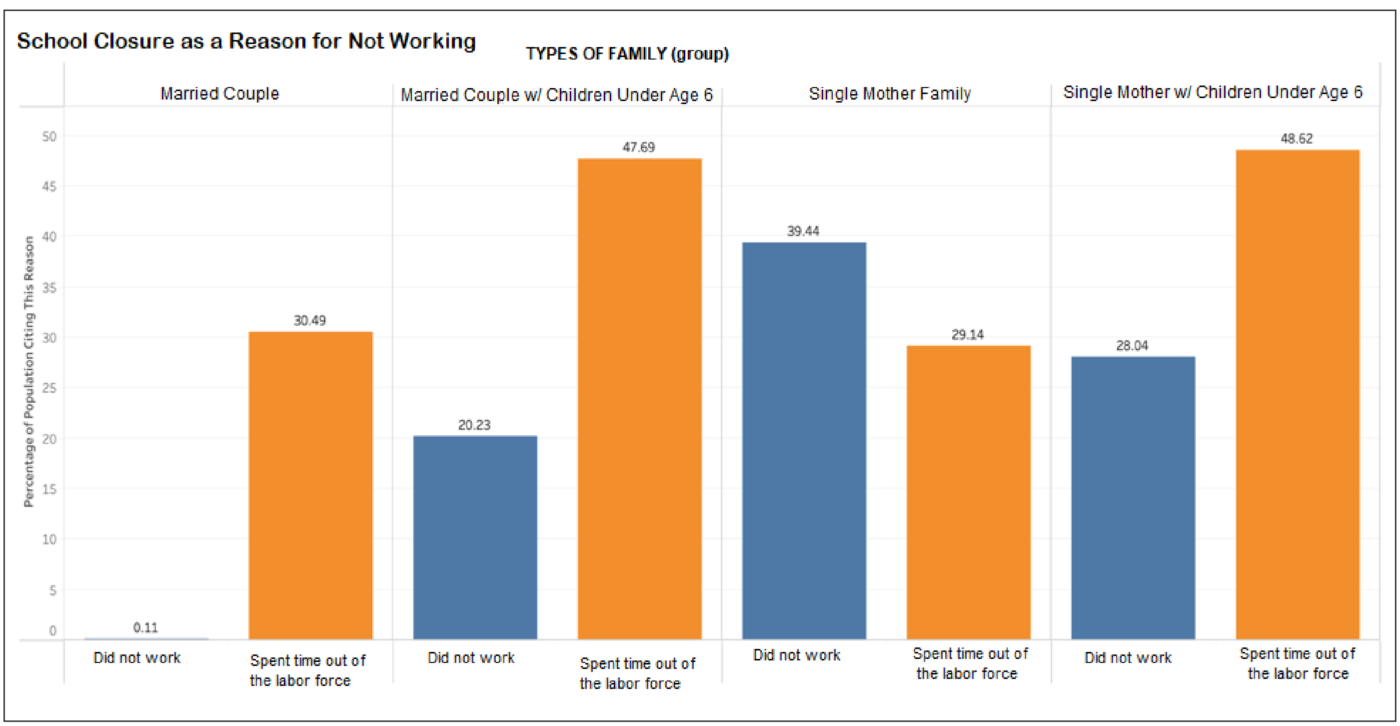
The effect of public subsidy payments on labor force participation rates has been debated extensively. California's passage of AB131—a budget trailer bill which seeks to reduce child care costs—is just one of many bills and programs over the years that have attempted to ease the burden on families and boost employment rates. This article will look at how the COVID-19 pandemic has affected the labor force participation of women and the potential effects of AB131 in the Inland Empire.

Two years into the COVID-19 pandemic, studies have found that the pandemic's effect on the labor force participation rates of women has been particularly devastating, with much of this drop attributable to the damage the pandemic has done to child care facilities and providers. A study from the Bipartisan Policy Center found that over 70% of parents reported that their children's care facilities were either fully closed, or operating at reduced capacity in 2020. The Chamber of Commerce Foundation found that 75% of parents had a parent or guardian staying home with a child, either working remotely or not working, while a further 28% were relying on family and friends in 2020. Studies have also shown that in response to this phenomenon, women are more likely to leave the work force to attend to child care than men. Data from the Census Bureau between April and August of 2020 found that 10% of working women on average were choosing not to work because their child care provider was closed. A study from the University of Southern California found that among families in which the parents live together and have school-aged children, women carry the burden of providing child care, with 44% of women reporting that they are the only one in the house providing care, compared to just 14% of men. In response to school and child care closures caused by COVID-19, mothers have had to make cuts to their working hours that are four to five times greater than reductions made by fathers. This has led to a doubling of the gap in hours worked by men and women. It is no surprise, therefore, that between March and April 2020, female employment had dropped by 13%, compared to just 10% for men. A study by the Center for American Progress found that by September 2020, approximately 865,000 women had dropped out of the labor force compared to just 216,000 men.

In response, the California legislature passed AB131, a budget trailer bill included in the 2021-22 Fiscal Year Budget, that would subsidize child care providers with a one-time stipend, provide families with child care subsidies, waive family fees for subsidy-funded child care, and provide funding for the creation of over 120,000 new child care spaces. The bill would revise the standard reimbursement rates in effect as of July 1, 2021, to reflect cost-of-living adjustments, a response to the economic effects of the pandemic, and also require federal funds allocated to local child care resource and referral agencies to support their continued participation in COVID-19 relief and recovery to be used to strengthen their role in serving as intermediaries to develop new, and support existing, child care facilities.

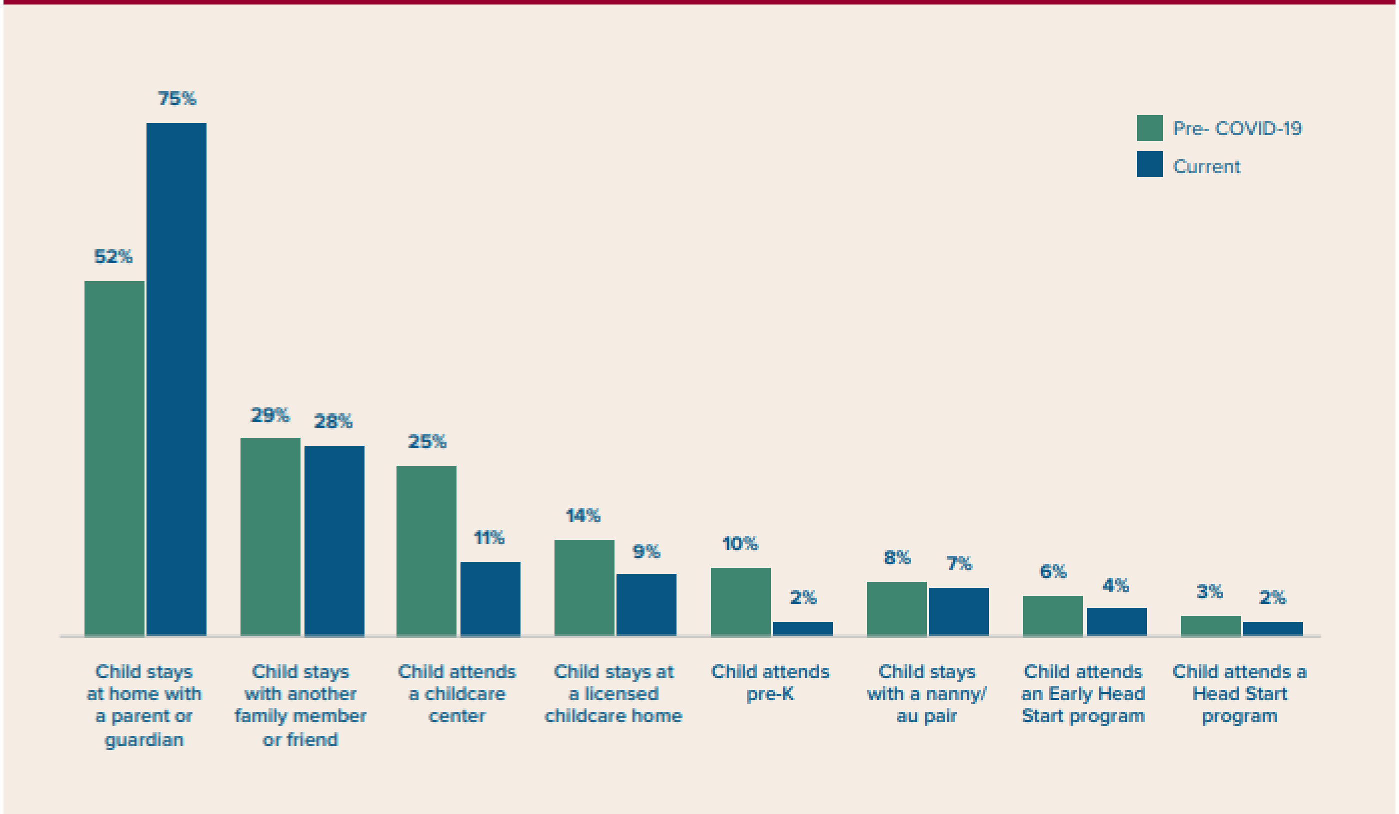
When looking back at programs similar to those funded by AB131, the Aid to Families with Dependent Children (AFDC) program is one that has been studied extensively, and its effect on maternal employment can give us insight into the potential effects of AB131. Established by the Social Security Act of 1935, AFDC was a means-tested welfare program which provided monthly payments to households in which the father was absent. Its aim was to ensure that mothers were able to spend more time at home taking care of their children, rather than trying to juggle work and motherhood. It was later broadened to encompass families in which the father was present but unable to work. However, a study from Irwin Garfinkel and Larry Orr for the *National Tax Journal* found that regardless of how the various parameters of AFDC were altered—whether that be a decrease in guarantees for families with no income, or a decrease in tax rates for families with low incomes—there would be a very small change in the total number of mothers employed. They argued that the elasticity of employment for AFDC mothers was sensitive to their ability to afford not to work, and suggested that the implementation of a work-for-welfare scheme might induce AFDC mothers to work.

The passage of the Family Support Act in 1988



Source: U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement (CPS ASEC).

Percent of Parents Using Each Type of Chilcare Arrangement



Source: Working Parents, Childcare, and COVID-19. US Chamber of Commerce Foundation. Center for Education and Workforce, July 1, 2020.

provided that work test, as it stipulated that single parents on welfare whose children are at least four years old had to find regular work, and if they could not, they were obliged to enroll in educational or job training programs, and eventually in a state-organized employment program. In return, they would be guaranteed subsidized child care services. However, in a study conducted for the *Brookings Review* in 1992, author Gary Burtless analysed various initiatives conducted by the Manpower Demonstration Research Corporation to provide job training and work experience opportunities for AFDC mothers, and concluded that the gains for AFDC likely would not be enough to entice these mothers to work. Burtless found that while the gap between the average income of poor female-headed families was $5,900 below the poverty line, the largest annual earnings gain from any initiative was only $1,800. Furthermore, Burtless pointed out that the gains of these initiatives are often passed along to taxpayers. He argued that along with the reductions in welfare from the AFDC that accompanies income from work, the monetary incentive of working may not be enough to convince AFDC mothers to get off the welfare roll and onto the payroll.

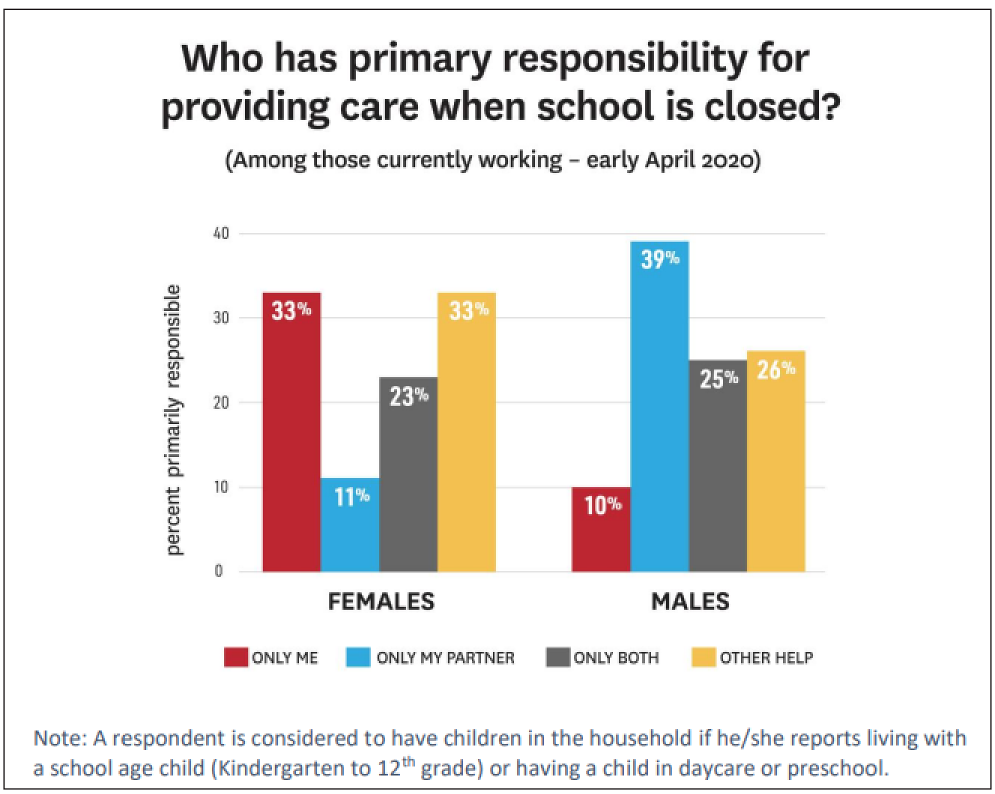
In 1996, however, the AFDC was replaced by the Temporary Assistance to Needy Families (TANF) program. This initiative upheld the same work-for-welfare policy of AFDC, but saw markedly different results. Burtless, writing for the *Brookings Review* in 2004, noted an over 10% increase in the labor force participation rate for mothers who were divorced, separated, and never married in the six years since the passage of TANF, and an over 10% increase in employment/population ratio for the same group. Interestingly, Burtless attributes this partly to the introduction of the Earned Income Tax Credit (EITC) , which reduced the amount owed in taxes for working women on welfare, a direct contradiction to Garfinkel and Orre's claim that lowering tax rates would not lead to a major increase in maternal employment.

Several other studies have focused on the more general relationship between child care costs and maternal employment, using data from the Survey of Income and Program Participation (SIPP), which tracks the relationship between welfare usage, income, and employment. While most of these studies agree that a reduction in child care costs does lead to an increase in maternal employment for those mothers on welfare, they disagree on the extent to which it does so, and the groups of women who are most affected by a reduction in child care costs.

One of the first studies on this topic by Rachel Connelly in 1992 for *The Review of Economic and Statistics* focused on married women, and found that especially among women with children of preschool age, low rates of labor force participation were tied almost entirely to high child care costs. In 1995, writing for the same publication, Jean Kimmel compared the levels of responsiveness in the labor market to higher child care costs for both married women and single mothers, and found that married women's labor force participation was more affected.

However, these results contradict the findings of Wenjui Han and Jane Waldfogel, writing for *Social Science Quarterly* in 2001, found that the effects of higher child care costs affected the labor force participation of single mothers more than for married women. Specifically, they found that policies that reduced the cost of child care could in turn increase the employment rate of single mothers anywhere from 5% to 21%, compared to only 3%-14% for married women. Crucially, Han and Waldfogel note that the difference between their study and Kimmel's 1995 study is that the Kimmel included children of all ages, whereas they exclusively focus on mothers of pre-school children.

A study by Patricia Anderson and Phillip Levine for the *National Bureau of Economic Research* in 2000 concurred with Han and Waldfogel's thesis, finding that unmarried women across all education levels with children under the age of six were more responsive to an increase in child care costs than married women. That study also uncovered the relationship between child care costs and the skill level of the worker. They found that labor force participation in-



Source: Gender Differences in the Impact of COVID-19. University of Southern California, June 18, 2020.

creased among low-skilled workers the most. They connected this to a larger wage elasticity for low-skilled workers, noting that wages among low-skill workers increased more with lower child care costs. For low-skilled workers who are paid less, a dollar is more valuable, and thus an increase in child care costs by a dollar will lead them to take their children out of day care and look after them themselves.

These studies show that making employment a prerequisite for welfare is not enough to boost maternal employment, and that there are other factors that influence levels of maternal employment. Given that, it is crucial to look in closer detail at AB131 to determine just how much its provisions will influence maternal employment in California.

Data on single mothers from the Current Population Survey shows that only 53.3% of mothers worked full-time in 2020, with this number dropping below 50% when looking at single mothers with children under the age of six. This is in contrast to families in which both the mother and father are present, in which over 70% have both partners working. Across all categories of work -- full time, part time, and not working at all -- the percentage of those living below the poverty line is greater among single mothers than among married couples. The same relationship holds true if one were to increase the threshold to those living at or below double the poverty line.

Among those who choose not to work during 2020 or spent a certain amount of time out of the labor force, a greater percentage of women cited home or family reasons as their reason for not working than did men—around 20% compared to just 4.5% for men. When looking at the percentage of married couples who chose not to work for home or family reasons, the percentage for both the wage-earner and the spouse hovers around 50%. However, for households headed by a single mother, the mother cited home or family reasons for not working only 19.5% of the time. When the age of the child is taken into account, the percentage of married couples and single mothers who cite home or family reasons for leaving the labor force or not working increases. Among married couples in particular, having a child under the age of six heavily influences the mother's decision not to join the labor force, whereas this relationship is not as strong among single mothers.

When looking at the effect of school closures on the decision to leave or forego joining the labor force, the data is less straightforward. Among married couples, school closures tend not to influence the decision to leave the labor force, however, it is a factor when looking at married couples with children under the age of six. Conversely, the opposite holds true for single mothers, who cite school closures as a reason for forgoing the labor force less when the age of the child is factored in.

At face value, this data both supports and contradicts previous findings. The data which shows that home/family reasons is cited more often by both married couples and single mothers as the age of the child decreases supports the findings of both the Anderson and Levine study, and the Hans and Waldfogel study, both of whom claimed that mothers with preschool aged children were more responsive to increasing costs of child care, or closures of child care centers. However, the data also appears to side with Kimmel's assertion that married women's labor force participation rates are generally more affected by higher child care costs than single mothers.

Combining these findings with our knowledge of San Bernardino County and Riverside County, we can hypothesize how AB-131 might affect maternal unemployment rates. First, Kidsdata.org reports the average annual price for an infant child care in both San Bernardino County and Riverside County hovers around $13,000, a figure which may be lower than the California average of $17,000, but one which towers over the average price of infant child care in most states ($11,896). Unfortunately, both counties are lagging when it comes to availability of child care spaces for children who need them. According to Kidsdata.org, Riverside County reports only having child care spaces available for 18.3% of children who need them, which is 6 percentage points lower than the California average, while San Bernardino

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County's 16.3% makes it one of the lowest in the entire state. Given that AB131 seeks to reduce child care costs and fund the creation of new child care spaces, this bill in theory should lead to an increase in maternal employment in both counties. Note that these statistics and subsequent figures are pre-pandemic and prices are likely to have increased since then as child care centers closed.

Starting with San Bernardino County, a larger percentage of all families with children are living in poverty (24.2%) as compared to the United States (18.8%). This is true for two-parent households with children. A larger percentage of single mothers in San Bernardino County are also living in poverty (39.2%) than in the United States (37.4%). With a high school graduation rate of 80.7% and a bachelor's degree attainment rate of 22.5%, San Bernardino falls short of both California and the United States on these educational attainment metrics. Connecting these statistics to Anderson and Levine's theory that low-skilled workers are more responsive to higher child care costs, it seems clear that families in San Bernardino would likely benefit from this bill. Data at the federal level suggests that a significant percentage of married women choose not to work in order to take care of their children. One would assume that this percentage would be even higher in San Bernardino, given that a greater percentage of married women are living in poverty in San Bernardino County than in the US. However, federal level data also showed that married women with children under the age of six were the most responsive to higher child care costs, with 65% of these women choosing not to work at all and 31.32% choosing to spend some time out of the labor force. In San Bernardino County, however, requests for child care for preschool aged children (those under the age of six), were only at 45%, which means that most child care requests were for children over the age of six. Federal data suggests that among married couples with children over the age of six, high child care costs are not too big an impediment to participating in the labor force.

Riverside County shares some similarities to San Bernardino County. Its educational attainment levels are slightly higher than San Bernardino County, but still fall short of the national averages. The high school graduation rate (82.8%) is close to six percentage points lower than the national average

(88.5%), while the percentage of the population holding a bachelor's degree (23.3%) is two-thirds of the national percentage. 19.5% of all families with children are living at or below the poverty line, slightly higher than the national (18.8%) and California (19.0%) averages, while a greater percentage of two-parent households are living in poverty as well. In contrast to San Bernardino County, however, a smaller percentage of single-parent households are living in poverty in Riverside County (33.9%) than either state (34.6%) or nationwide (37.4%). There is another area in which Riverside County differs from San Bernardino, and that is in number of families with children of pre-school age, and subsequently the difference in the requests for child care. Riverside County, in comparison to the state average, has a greater percentage of children between the ages of 0 and 6. As a result, 55% of requests for child care in Riverside County are for children of pre-school age, over 10 percentage points higher than San Bernardino County, and 11 percentage points higher than the state average. So, in contrast to San Bernardino County, the majority of requests for child care are for children under the age of six.

Both counties also have significantly higher single motherhood rates than the national average. Whereas the national percentage of children under the age of 18 living with only one parent stands at 23%, Riverside's percentage is 28%, while San Bernardino's is a whopping 33%. Given the prevalence of single parenthood, it seems an almost foregone conclusion that a reduction in child care costs would increase maternal employment in these households, especially as an estimated 80% of these households are headed by the mother rather than the father. Federal data shows that over one in four single mothers choose to leave the work force or remain out of it due to child care costs, with this figure rising to over three in four when looking at single mothers with children under the age of 6. Consistent with Han and Waldfogel's study -- in which they found that single mothers' labor force participation rates are more affected by higher child care costs -- AB131 may prove to be effective to increase women's employment in both Riverside County and San Bernardino County. ◆

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