The Macroeconomic Implications of Care Work

Alí R. Bustamante

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About the Author

Alí R. Bustamante is the deputy director of the Worker Power and Economic Security program at the Roosevelt Institute, where he focuses on how public policy can structure markets around both economic and social value and empower Americans through the provision of public goods and stronger labor protections. Prior to joining Roosevelt, he served as chief economist at the Louisiana Workforce Commission, senior research associate at the Southern Economic Advancement Project, and as faculty at Florida International University, the University of New Orleans, and Loyola University New Orleans. Dr. Bustamante earned a BA and PhD from the University of Miami, where he specialized in political economy.

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Introduction

Despite their crucial role in our economy and society, care workers have long been neglected, and their contributions undervalued (Kinder 2020). Even after the pandemic made this critical role clearer than ever, care workers have experienced one of the most incomplete economic recoveries post-pandemic. The care workforce—consisting of childcare workers, health-care and personal support workers, and residential advisors—was one of the hardest-hit sectors of the economy during the pandemic and has yet to fully recover: Compared with pre-pandemic employment levels, more than 230,000 care workers are still missing from the labor market. This brief argues that the continued growth and stability of the US economy will require government to rethink how it responds to America's collective care needs.[1]

Employment in care work is a vital component of the US economy and not just because the availability of care services enables individuals with care responsibilities to participate in the labor market. Currently, there are more than 4.8 million workers who provide us with childcare and eldercare, and attend to our health and disabilities. Adding teachers to the care workforce sums to 12.2 million workers—representing about 7.6 percent of total employment.[2] Yet, the extent to which their work is undervalued and underpaid creates financial instability for care workers and risk for our entire economy.

Care Workers after the Pandemic

The pandemic brought to light the critical role that care workers play providing vital services that support the health, well-being, and economic stability of individuals, families, and communities (Backman 2022). Closures of care centers across the country during the pandemic meant that millions of Americans had to go without support from care workers. Consequently, labor force participation declined drastically, especially among women, as

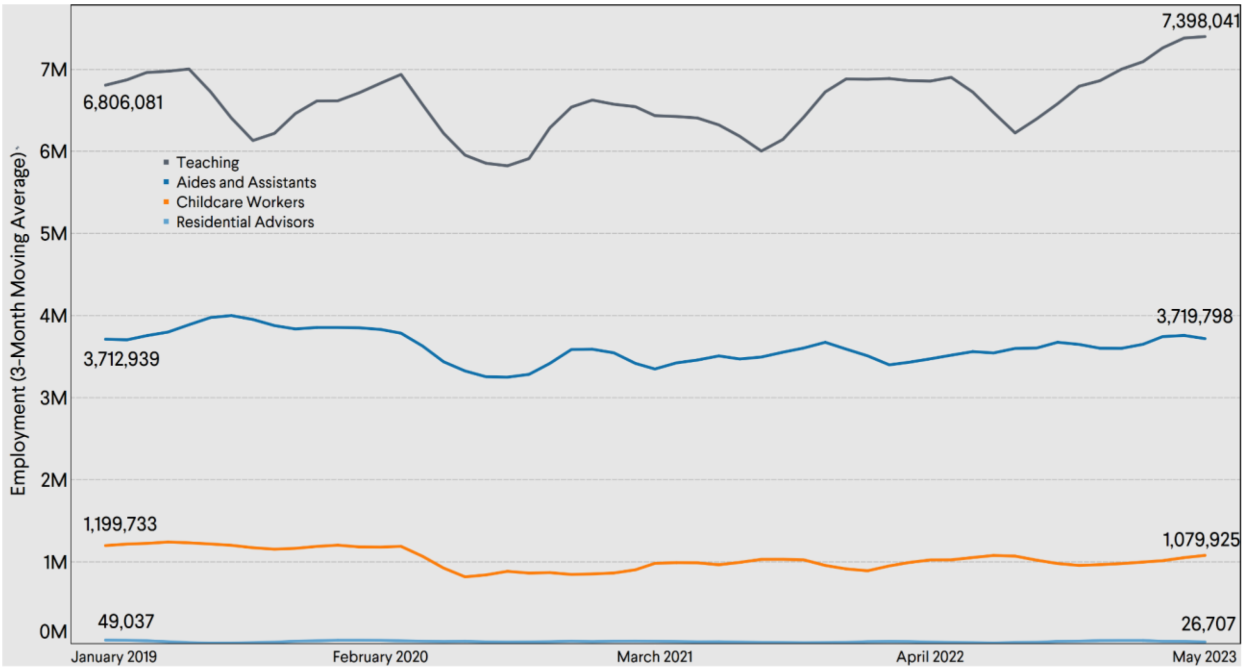
[1] This analysis classifies care workers using the 2018 Census Occupation Titles. Aides and assistants include home health aides, personal care aides, nursing assistants, orderlies and psychiatric aides, occupational therapist assistants and aides, physical therapist assistants and aides, and personal care and service workers, all other. Childcare workers and residential advisors do not comprise additional occupational titles. Adjacent to our classification of care workers, teachers include preschool, kindergarten, elementary, and middle school teachers as well as special education teachers, teacher assistants, and other teachers and instructors.
[2] Author calculations using data from IPUMS-CPS, University of Minnesota, www.ipums.org.

most Americans were faced with the choice between employment and caring for their children and other family members who needed it (White House 2021). Yet, in the wake of the pandemic, there has been no successful effort by policymakers to improve the working conditions of care workers and modernize the care sector to better serve the American people (Kashen 2022).

In the absence of public investments, employment in the care sector has plunged since the pandemic. According to our analysis of data from the Bureau of Labor Statistics, there are about 231,000 fewer care workers than there were in February 2020—immediately preceding the impact of the pandemic on the US labor market. The employment losses were split relatively evenly between childcare workers and other care workers such as aides and assistants, physical therapist assistants, and residential advisors[3]. Most notably, the number of childcare workers declined by 101,000 workers; and 141,000 aides and assistants did not return to care work. While the data shows that there are about 567,000 more teachers than in February 2020, a closer look reveals that employment growth here was largely driven by the addition of 465,000 teaching assistants and other teachers, while the number of elementary and middle school teachers declined by 4.4 percent, a total of 16,000 fewer teachers.

[3] Residential advisors predominantly assist individuals in residential facilities, such as group homes, for intellectual and developmental disability, mental health, and substance abuse. Less than 20 percent of residential advisors work in college dormitories.

Figure 1. US Employment by Care Occupation, Jan. 2019 to May 2023



Source: IPUMS-CPS, University of Minnesota, www.ipums.org. Analysis and graph by the author.

The decline in care work employment since the pandemic has had a negative impact on our economy, dragging down productivity and labor force participation, which are the main factors behind economic growth. This decline in labor force participation not only represents lost potential and talent but also results in diminished productivity (Lagarde and Ostry 2018).

Women have faced the brunt of the pandemic-triggered decline of the US labor force participation rate and have yet to recover. Data shows that about 1 million women are needed to increase their labor force participation rate from the current level of 57.3 percent to the February 2020 level of 57.9 percent (BLS 2023a). The fall in women's labor force participation is mainly driven by women over 54, offsetting the increase in the labor force participation of prime-age women.

The ripple effects of reduced care work employment are far-reaching, affecting the overall health of our economy and hampering its ability to rebound and thrive in the long term (Bhattarai et al. 2023). Recent history shows that without direct investment, the labor force participation rate for women never recovered from the pre-Great Recession levels of 59 percent (BLS 2023a).[4]

The lack of investment in the care sector is also likely to compound into lower economic growth and higher prices in future years. In the health-care sector, the shortage of health-care support workers such as nursing, psychiatric, and occupational therapy assistants and aids, and home health aides, has resulted in increased workloads for existing staff, leading to burnout and increased turnover (Benadjaoud and Romero 2023). This, in turn, limits the care that patients receive, leading to negative health outcomes and increased health-care costs, which are a key driver of inflation (Duffy 2022). Data shows that medical care prices between January 2000 and February 2023 experienced a cumulative growth of 115.1 percent (Rakshit et al. 2023). Even after the record levels of inflation in 2021, medical care costs outpaced the growth of general inflation, 78.2 percent, accounting for all goods and services. As the US population ages and the lingering effects of the pandemic persist and lead to disabilities, demand for care services is set to increase further. Yet, when considering the projected need of 2 million jobs in health-care occupations by 2031, medical care costs are likely to increase at a faster pace—raising the general price level in the process (BLS 2022).

Systemic Issues of Care Work

To address the decline in the number of care workers, policymakers must address the systemic issues affecting the care sector.[5] To do so, policymakers must understand the history

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[4] An assessment of the economic gains from investments in care work can be found in Palladino, Lenore, and Chirag Lee. 2021. *The Economic Effects of Investing in Quality Care Jobs and Paid Family and Medical Leave*. Political Economy Research Institute. https://peri.umass.edu/component/k2/item/1465-the-economic-effects-of-investing-in-quality-care-jobs-and-paid-family-and-medical-leave.

[5] Readings on the systemic issues in care work include: Kahn, Suzanne and Lauren Melodia. 2021. "Care at Scale: Building Back Better Requires Big, Well-Structured Childcare Investments." *Roosevelt Institute* (blog). June 9, 2021. https://rooseveltinstitute.org/2021/06/09/care-at-scale-building-back-better-big-well-structured-childcare-investments/; Kahn, Suzanne and Steph Sterling. 2021. *Supply-Side Childcare Investments: Policies to Develop an Equitable and Stable Childcare Industry*. New York: Roosevelt Institute. https://rooseveltinstitute.org/publications/supply-side-childcare-investments-policies-develop-equitable-stable-childcare-industry/; Hughes, Matt. 2020. "COVID-19 Proves That We Need Universal Health Care. States Are Exploring Their Options." *Roosevelt Institute* (blog). June 25, 2020. https://rooseveltinstitute.org/2020/06/25/covid-19-proves-that-we-need-universal-health-care-states-are-exploring-their-options/.

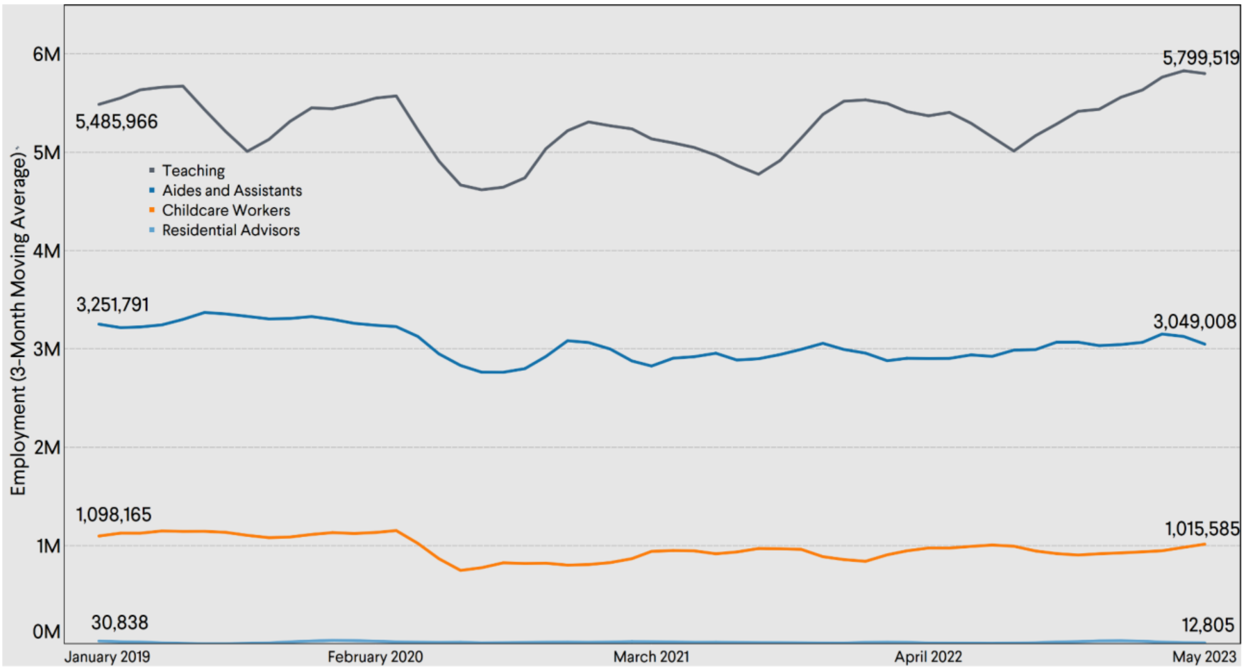
of care work in the country and the continued presence of patriarchy and structural racism in care employment (Palladino and Mabud 2021).

Women represent the overwhelming majority of care workers, 84.5 percent, and comprise the overwhelming majority of childcare workers, 94 percent. Yet, the share of women in care work has declined by 208,000 since February 2020—a 6.4 percent decline. The decline of women employed in care work is a sign that the pandemic has triggered a shift away from care work—a potentially systemic shift.

Nationally, there are 3.3 million more Americans employed than in February 2020, including 843,000 more women. The gain in employed women was largely driven by the 2 million more women of color who have gained employment since the pandemic—offsetting the decline in the employment levels of white women. However, the employment gains of women of color were achieved despite a 41,000 drop in care work employment, including a 12,000 decline in childcare work. Nearly 346,000 women of color have been added to teaching employment since the pandemic, but that represents just 17 percent of their total employment gains.

The data suggests that employment trends for women in the broader labor market differ from those in the care sector. Between February 2020 and May 2023, the median age for women employed outside of care work declined from 37 to 36, but the median age for women in care work increased from 41 to 42. This trend also holds for women of color, as the median age dropped from 39 to 38 for non-care workers and increased from 42 to 45 for care workers. The aging workforce in care work is conflicting with the national movement of younger women into the labor force and older women exiting. Therefore, a large factor explaining the outflow of women in the care sector is the sector's general loss of workers and its inability to adequately recruit younger workers. This finding should cause policymakers to look at the industry's past in order to address the long-standing systemic issues in care work that deter younger workers.

Figure 2. US Women's Employment by Care Occupation, Jan. 2019 to May 2023

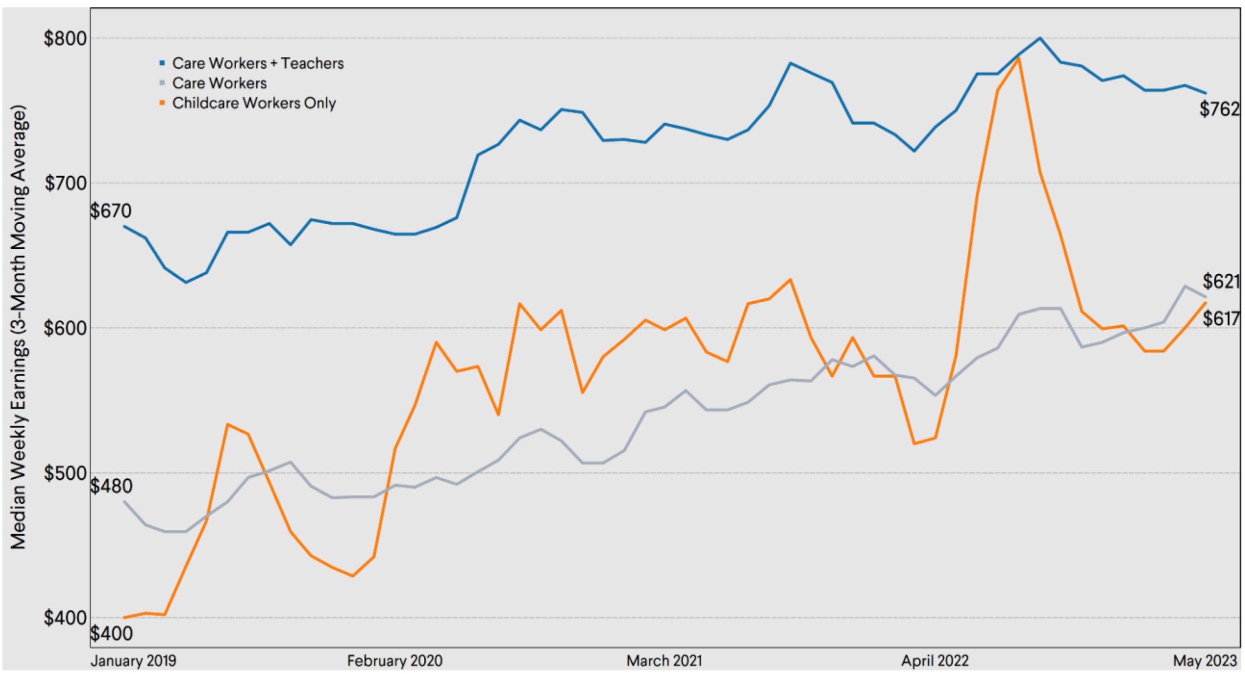


Source: IPUMS-CPS, University of Minnesota, www.ipums.org. Analysis and graph by the author.

The concentration of women in care is a direct result of the exclusion of women from other areas of the labor market for centuries (Yellen 2020). Even after the lowering of barriers to gainful employment for women and the women's rights movement of the 1960s, occupational segregation and discrimination limited the job opportunities for women and helped keep wages low in care work industries outside the home in particular. Structural racism has also deeply shaped the care industries (Dill and Duffy 2022). Even after four centuries, the legacy of slavery and continued institutionalized forms of racism and discrimination limit employment opportunities for Black women, immigrant women, and other women of color. Currently, there are about 2.3 million American women of color in care work—47.1 percent of all care workers and 34.2 percent when including teachers. Women of color have historically been overrepresented in care work—as care aides and assistants, childcare workers, or residential advisors —with the exception of teaching occupations where extensive credential requirements serve as barriers to entry (Daniels 2022).

Systemic discrimination that limited employment options for women, and especially women of color, to the care sector has kept wages in the sector extraordinarily low. While the median American worker has weekly earnings of $1,058, most care workers have median weekly earnings of $621. The current low wages of care workers are an improvement from pre-pandemic wages, when most care workers were paid median weekly earnings of $491. Yet, when considering the 15.2 percent growth in core inflation during this period, the 29.4 percent wage growth of many care workers was effectively halved by the increase in the cost of living (BLS 2023b).

Figure 3. US Median Weekly Earnings by Care Occupation, Jan. 2019 to May 2023



Source: IPUMS-CPS, University of Minnesota, www.ipums.org. Analysis and graph by the author.

Since January 2019, American workers experienced nominal median wage growth of 20.2 percent. Conversely, most care workers' nominal median wage growth was 29.4 percent. Unlike most care workers, childcare workers saw 54.3 percent growth, more than double the national level. The median weekly earnings of childcare workers climbed from $400 in January 2019 to $786 in the summer of 2022 and recently declined to $617. Care work occupations were among the lowest-paid occupations, with wages below $15 per hour prior to the pandemic. The disproportionately high wage growth among low-wage workers reflects the national trend of wage growth concentrated among low-paid workers, especially those paid less than $15 per hour.[6]

The data suggests that care work employment declines occurred despite above-average wage growth and large gains in women's employment outside of care work. This dynamic can potentially be explained by looking at the sectors that benefited the most from increased women's employment. Nearly 1.1 million women entered the health-care and social assistance sector since the pandemic, in non-care-work occupations. Additionally, about 660,000 entered the professional, scientific, and technical services industry. Together these industries accounted for nearly one in three of all of women's employment gains. The inflow of women into outpatient care centers and other health-care services and into human resource programs and legal services directly reduced the amount of women entering care work. The compensation in these industries was substantially higher than seen in care work. For example, outpatient care centers paid a median weekly wage of $1,150 in May 2023, and human resource programs paid $1,043. As a result, care work could not compete with other industries offering higher wages before and after the pandemic.

Policymakers' reliance on market dynamics to shape the care work industry has led to a sector characterized by low wages and a chronic shortage of workers (Treasury 2021). Missing from the status quo is a consideration of the systemic inequities of the American care sector and of the broader social benefits and economic value that a strong, worker-centered care sector produces. This market failure has undermined the well-being of care workers and hampered economic growth and productivity for too long.

A robust care sector requires the coordination and investment that only government policy can provide. Without a stronger government presence, the sector will not meet the needs of American families and care workers.

[6] For evidence on post-pandemic wage growth patterns see Autor, David, Arindrajit Bude, and Annie McGrew. 2023. "The Unexpected Compression: Competition at Work in the Low Wage Labor Market." Working Paper no. 31010. NBER Working Paper Series. Cambridge, MA: National Bureau of Economic Research. https://www.nber.org/papers/w31010.

Toward an Industrial Policy of Care Work

To modernize and build a better care sector, the federal government can implement an industrial policy that centers the well-being of workers—growing our economy through improvements in productivity and labor force participation (Kahn 2022). The first step toward an industrial policy of care is combining government resources to create a care agenda that connects all the care needs that Americans experience during their lifetimes—childcare, medical care, disability care, and eldercare (Veghte et al. 2019).

The current approach to care policy addresses the care needs of Americans in very segmented ways. For example, Head Start provides early childhood education, health, nutrition, and parent involvement services to low-income families with children. Separately, Medicare addresses the health-care needs of individuals aged 65 and older, as well as younger people with disabilities. While the care needs of children, elderly Americans, and everyone in between may differ, all should be entitled to a government policy that provides them with quality care.

An industrial policy of care work must transform the sector to better serve Americans. With more than 230,000 workers moving away from care work after the pandemic, there is an urgent need to modernize the field and prevent our economy from the risks of declining productivity and labor force participation. Inaction charges interest, and doubling down on the status quo will only further deepen the systemic issues Americans face in care work. Government has the power to guarantee quality care services for all Americans and to ensure care workers have the dignity they deserve—all while strengthening our economy. It is up to policymakers to garner the will to make the policy change.

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