

Childcare, COVID-19 and female firm exit ^[1]

Impact of COVID-19 school closure policies on global gender gaps in business outcomes

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Globally, a lack of affordable quality childcare services is often associated with lower rates of female labor force participation. In studying the historical pattern of female labor force participation in the US—the spike in married women’s employment in the 1940s is often credited with a shift in social norms around gender roles after women had to take on work outside the home during the Second World War. It was in 1941 that the US federal government enacted a policy to provide funding for high-quality government-run childcare centers so that women could work during the war effort. The war helped redefine women’s role in the labor market with quality childcare provision recognized as an important contributing factor to their participation.

Unequal gender norms around domestic and care responsibilities still exist today and are often used to explain persistent gender gaps in employment and earnings. In her 2021 book *Career and Family*, Claudia Goldin highlights the contemporary relevance of this persistence by writing “this has been the first major economic downturn during which the care sector will determine the fate of the economic sector.”

Throughout the ongoing COVID-19 pandemic there have been frequent media reports in the US that a greater proportion of women are exiting the workforce than men because of competing demands on their time due to increased domestic and care work as a result of the closure of schools and childcare facilities used to contain the virus. In a new working paper, we draw attention to this particular issue by examining the impact of national COVID-19-related school closure policies in 2020 and 2021 on firms. We show that the closing of schools, a key part of the care infrastructure, led to higher business closures among female entrepreneurs with children than male entrepreneurs with children.

Using high-frequency monthly enterprise data collected on Facebook from over 150,000 business owners across 50 countries throughout 2020 and 2021 we show that women entrepreneurs were more likely to close their business and experienced larger revenue declines during the COVID-19 pandemic than male entrepreneurs. Globally, female-led firms were, on average, 4 percentage points more likely to close their business than male-led firms in 2020 (male firms closed at an average rate of 17% in 2020, and 12% in 2021). The gender gap in firm closures persisted into 2021.

Pairing the enterprise data with national COVID-19 related school closure policies we show that the closing of schools is associated with higher business closures, and women were more likely to close their business than men. Part of what is driving a significant amount of this disproportionate female closure is care work. The data reveals that women entrepreneurs spent more time on care and chores when schools closed and they did not get help from their spouses. Male entrepreneurs, on the other hand, did not increase the hours they spend on care, and got help from their spouses.

In order to show that excess female closure is due to childcare, we separately examine patterns for women with children in the home and those without. This pattern of higher firm closure rates associated with school closure and increased care is significant and economically meaningful for women with children, it is not significant for women without children. Further, this impact is much more pronounced for women entrepreneurs in societies with conservative norms about equal opportunities for men and women, relative to more gender-liberal societies.

While the pandemic provides a unique lens to examine the effect of childcare provision, it helps to reinforce the need for effective childcare policies to help improve female labor market outcomes beyond the pandemic. The COVID-19 crisis has raised the question of whether we can expect gender norms around care and household chores to be shifted permanently as a result of the pandemic and has led to increased advocacy for public policy initiatives that support families. Governments can play an active role in the promotion of social dialogue that challenges norms around traditional male breadwinner and female caretaker roles and workplace flexibility. Programs could include measuring and valuing the gender gap, supporting childcare services and early childhood programs, providing time- and labor-saving household devices, advocating for care-related policies, addressing social norms around care, and engaging men in care duties. The policy choices made today could have important consequences on women’s economic empowerment and gender equality for decades to come.

Region: International ^[4]

Tags: COVID-19 ^[5]

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