

# EMPLOYMENT

Stanford Center on Poverty and Inequality

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Women’s employment rates, which had been rising since the late 1960s, have generally been stagnant or declining over the past two decades. The declines have been concentrated among less-educated and younger women. Marriage rates are down among those without a college degree, and employment has fallen among men as well as women, meaning that the decline in employment among less-educated women is not due to more of them marrying high-earning men. Many of the same forces that have pushed down the employment rates of men have also hurt the employment rates of women.

## Recent Trends

From 2000 to 2017, the employment rate (employment-to-population ratio) among women aged 16 to 64 declined 2.7 percentage points, falling from 67.9 to 65.2 percent.<sup>1</sup> Among men, the drop was 5.2 percentage points, from 80.7 to 75.5 percent. Among both women and men, some of this decline can be attributed to the aging of the population, but a large share is due to declining employment among prime-age and younger workers. The employment rate among men aged 25 to 54 fell 3.6 percentage points over this period, from 89.0 to 85.4 percent. The decline among prime-age women was smaller, but still sizable—a 2.0-percentage-point decline, from 74.2 to 72.2 percent. Declines in employment have been largest for those without a college degree. As shown in Figure 1, this is true for women and men.

Notably, there has been an *increase* in the employment rate among women aged 55 to 64. As shown in Figure 2, over the past two decades, the employment rate of women in this age group increased 8.0 percentage points, rising from 49.6 percent in 1997 to 57.6 percent in 2017. This increase stands in stark contrast to the mostly stagnant or declining rates of employment among younger women. It is also much larger than the change among men in the same age category.

## KEY FINDINGS

- Since 2000, U.S. women’s overall employment rate has fallen, with the decline concentrated among women without a college degree.
- This decline largely reflects many of the same secular forces, such as trade pressures and technological advances, that have negatively affected labor demand for male workers who have not completed college.
- Although supply-side factors—including child care challenges and the “secondary earner penalty” in the U.S. tax code—are not the primary driver of falling female employment rates, supply-side policies that lower child care costs and marginal tax rates could help to increase female employment.

## Factors Affecting the Demand for Workers

Women now comprise roughly half the workforce, and to a large extent, the same forces that have disadvantaged less-educated men in the labor market also have had a punishing effect on the wages and employment rates of less-educated women. Expanded trade with China is one critical demand-side factor that has led to a decrease in employment, concentrated in manufacturing, over this period.<sup>2</sup> The adoption of industrial robots has also driven employment reductions, particularly in the automobile industry.<sup>3</sup> Given the disproportionate representation of men in industries hit especially hard by trade pressures and robots, it is perhaps unsurprising that overall employment declines have been larger for men than for women. This is not to suggest that all of the forces behind declining employment have hit men harder. There is some evidence, for example, that the computerization of some types of routine labor, such as clerical and administrative support tasks, led to a larger net decline in employment among women.<sup>4</sup>

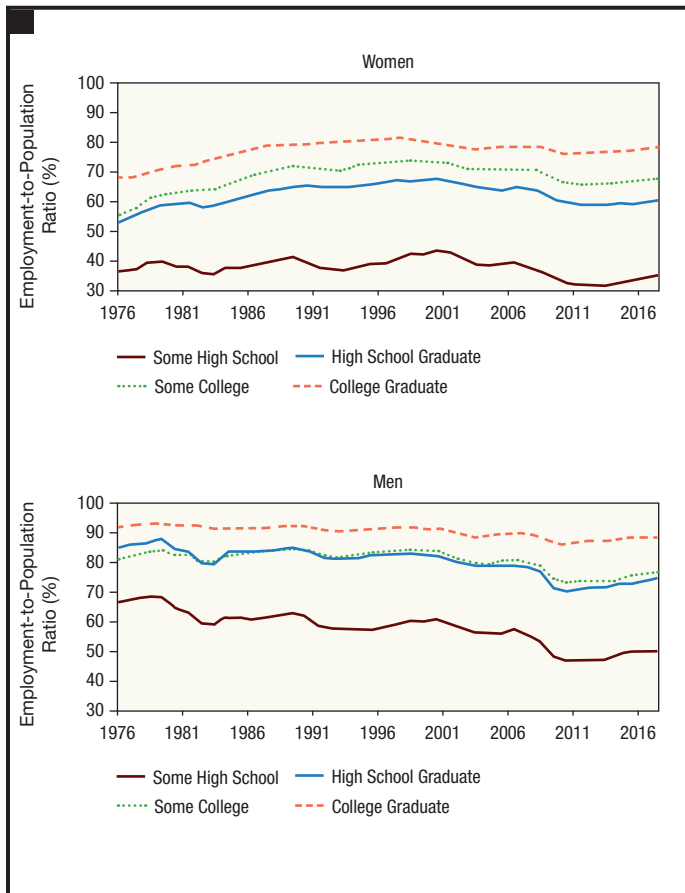
**Raising Women’s Employment**

Women’s employment cannot be fully understood by examining only the changing demand for certain types of workers. The availability of income from other sources (including government social insurance programs) and the costs of working (including income taxes and child care and transportation costs) also affect women’s decisions about whether to work and how much to work. An examination of several of these factors leads us to conclude that changes in supply-side policies could help to raise women’s employment rates.

First, the treatment of families as a combined unit in the U.S. tax code creates an implicit “secondary earner penalty.” That is, the first dollar of earnings by a spouse—or “secondary” earner, which is still often the wife—is taxed at the

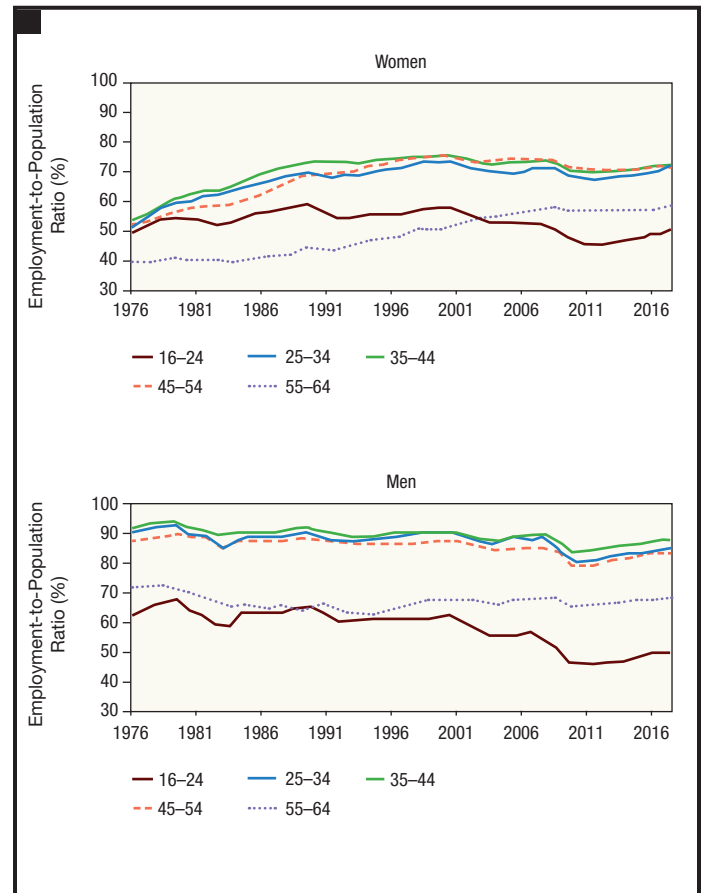
marginal tax rate of the last dollar earned by the “primary” earner, thereby reducing the take-home pay that many married women would receive from working. This also applies to the Earned Income Tax Credit (EITC), a refundable credit available to tax filing units with low but positive annual earnings. Because the credit is based on pooled family income rather than individual earnings, adding earnings from a second worker in the household will often significantly diminish or eliminate a couple’s tax credit.<sup>5</sup> How could these disincentives in the tax code be addressed? One option would be to introduce a secondary-earner tax deduction that would allow families with two employed members to keep more of their earnings. We would expect the resulting increase in the return to working to raise employment rates among married women.<sup>6</sup>

FIGURE 1. Trends in Women’s and Men’s Employment by Education



Note: Limited to those aged 16–64.  
Source: IPUMS-CPS. Each value shown is a 12-month average across the January–December Current Population Survey for a given year.

FIGURE 2. Trends in Women’s and Men’s Employment by Age



Source: IPUMS-CPS. Each value shown is a 12-month average across the January–December Current Population Survey for a given year.

Second, as the earnings of lower-wage workers have fallen over recent decades, the challenges associated with arranging and paying for child care may have grown. Rigorous evidence consistently shows that expanded access to free or low-priced child care leads to higher female employment.<sup>7</sup>

Finally, increased receipt of social security disability insurance benefits has contributed to falling employment rates among women and men.<sup>8</sup> There is robust evidence that beneficiaries with less severe medical conditions would have higher employment rates had they not received benefits or had benefit amounts been lower. Policy reforms or initiatives aimed at helping such individuals return to work have the potential to increase employment rates.

## Conclusions

After rising steadily for many decades, the overall female employment rate in the United States has been falling since 2000. This decline largely reflects many of the same forces that have negatively affected labor demand for non-college male workers. Still, supply-side hindrances, such as the lack of affordable high-quality child care and the high marginal income tax rates on secondary earners in married-couple households, likely contribute to female employment being lower than would otherwise be the case.

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## NOTES

1. The employment rates reported in this article are based on the authors' tabulations from Flood, Sarah, Miriam King, Steven Ruggles, and J. Robert Warren. *Integrated Public Use Microdata Series, Current Population Survey: Version 5.0* [dataset]. Minneapolis, MN: University of Minnesota, 2017. <https://doi.org/10.18128/D030.V5.0>, hereafter "IPUMS-CPS."

2. This evidence is documented in a number of papers, including Autor, David, David Dorn, Gordon H. Hanson, and Jae Song. 2014. "Trade Adjustment: Worker-Level Evidence." *Quarterly Journal of Economics* 129(4), 1799–1860; Acemoglu, Daron, David Autor, David Dorn, Gordon H. Hanson, and Brendan Price. 2016. "Import Competition and the Great U.S. Employment Sag of the 2000s." *Journal of Labor Economics* 34(S1), S141–S198; Pierce, Justin R., and Peter K. Schott. 2016. "The Surprisingly Swift Decline of U.S. Manufacturing Employment." *American Economic Review* 106(7), 1632–1662.

3. Acemoglu, Daron, and Pascual Restrepo. 2017. "Robots and Jobs: Evidence from U.S. Labor Markets." NBER Working Paper 23285.

4. Autor, David, David Dorn, and Gordon H. Hanson. 2015. "Untangling Trade and Technology: Evidence from Local Labour Markets." *The Economic Journal* 125(584), 621–646.

5. See Eissa, Nada, and Hilary Hoynes. 2004. "Taxes and the Labor Market Participation of Married Couples: The Earned Income Tax Credit." *Journal of Public Economics* 88(9–10), 1931–1958. This paper finds that the EITC expansions between 1984 and 1996 led to more than a full percentage point decline in married women's labor force participation.

6. For a full discussion of this issue, see Kearney, Melissa S., and Lesley J. Turner. 2013. "Giving Secondary Earners a Tax Break: A Proposal to Help Low- and Middle-Income Families." The Hamilton Project.

7. For a review of this evidence, see Abraham, Katharine, and Melissa Kearney. 2018. "Explaining the Decline in the U.S. Employment to Population Ratio: A Review of the Evidence." NBER Working Paper 24333.

8. Abraham and Kearney, 2018.