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STRONG ECONOMY DRAWS WOMEN INTO U.S. LABOR FORCE

Rising participation rate counters long-run decline at odds with rest of world

By Harriet Torry
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For most of the last two decades, the share of women participating in the U.S. labor force was in decline, puzzling demographers and economists since female participation was rising in many other developed economies.

Thanks to a strong economy, that long-running decline shows signs of reversing. Labor force participation among prime-age U.S. women aged 25 to 54 has risen to 75.2 percent from 73.3 percent three years ago, as their unemployment rate dropped to the lowest level since the 1950s.

A plenitude of jobs and a gradual rise in wages is drawing women back into the labor force, including those at the low end of the skill spectrum. For female high-school dropouts aged 25 and over, participation has risen to 33.8 percent from 32.1 percent three years ago, even as participation for college grads stagnated.

Participation helps determine the pace of economic growth; when participation slows it means fewer workers to manage machines or wait tables and becomes a headwind to growth. In 2000, the U.S. had the highest female participation rate among large advanced economies. It has since dipped below the rate in Canada, Australia and the U.K., according to the World Bank. It rose in countries like Germany, Italy and Japan in the past 17 years while declining 3 percentage points in the U.S.

One reason was a decline in good-paying, middle-skilled jobs, created by technology and competition from abroad, said Robert Moffitt, an economist at Johns Hopkins University.

The long-running expansion and decline in unemployment is helping to reverse the trend, but headwinds persist. An aging population means more women are retiring, and a growing share of younger women is choosing college over work.

Structural headwinds to participation also stand in the way of a full reversal of the U.S. trend of the past two decades. European countries and Japan pushed to increase women's participation in the workforce with government-funded parental-leave policies and child-care programs, approaches the U.S. didn't take.

Parents in the U.S. "have a very difficult choice: they can stay in their job and take 12 weeks off unpaid, and if they want to take care of their kids for another four weeks after they're born, they have to quit their job," said Harvard University economist Claudia Goldin.

While leave and child-care policies in the U.S. are limited, private child-care is expensive. The consumer-price index rose 87 percent since early 1991, according to the Labor Department. During the same period, the index for child care and nursery school costs increased 196 percent.

A 2017 study by the Organization for Economic Cooperation and Development found childcare costs took up 22.5 percent of American families' net income, well above OECD nations' average of 12.6 percent.

For women in low-skilled work, the trade-off between high-cost child care and a low-paying job can be prohibitive.

As the job market improves, some blue-chip companies and tech giants are expanding benefits and paid leave for new parents, along with paid sick leave and part-time work entitlements.

Microsoft Corp., which offers 20 weeks of paid leave for birth mothers, recently announced its suppliers and contractors will need to provide at least 12 weeks of paid time off to new parents too. Netflix Inc. offers unlimited paid family leave for new parents, at full pay, after the birth or adoption of a child.

Still, paid leave is only available to a small number of private-sector workers, and offerings vary widely by industry. A 2017 survey by the Pew Research Center, a think tank, found that access to paid family leave is most common in sectors like finance, technology and scientific and technical services. It is least common in the leisure and hospitality industries where many low-skilled women work.

Tax policies also play a role in the disconnect between the U.S. and the rest of the world. In the U.K., Sweden and Canada, earners are taxed as individuals, even if they are married. Individual filing means the lower earner in a married couple, often the woman, isn't taxed at the same rate as a higher-earning spouse, boosting the incentive for a second earner to work outside the home. In the U.S., on the other hand, the lower earner in a dual-income family risks being taxed at a higher rate, reducing the incentive to work.

The flip side of the forces weighing on American women in the workplace, some economists argue, is that the extended parental leaves and part-time work entitlements offered in Europe don't always lead to career advancement.

While female labor-force participation has risen in a number of European countries in recent years, more women there work part-time, which is associated with lower earnings and less managerial responsibility over the long term. Nearly a third of women in the European Union work part-time, compared with fewer than a quarter of employed American women.

As advanced economies work out their public-policy responses to raising female labor-force participation, a continued economic expansion will likely be the best solution.