

Plunging Employment: Blame Mom?

Dean Baker and Heather Boushey ¹

June 2, 2004

CENTER FOR ECONOMIC AND POLICY RESEARCH 1611 CONNECTICUT AVE., NW, SUITE 400
WASHINGTON, D.C. 20009 (202) 293-5380 <WWW.CEPR.NET> EMAIL: CEPR@CEPR.NET

¹ Dean Baker is the Co-Director and Heather Boushey is an economist at the Center for Economic and Policy Research.

The most striking feature of the recent recession and subsequent period of slow job growth has been the sharp decline in labor force participation. While the unemployment rate never rose very high by historic standards, and the current rate of 5.6 percent is below the average for the last thirty years, there has been an extraordinary falloff in the percentage of workers who are employed.

In the most recent data (April, 2004), the share of the adult population who hold jobs stood at 62.2 percent. By contrast, this employment to population ratio (EPOP) peaked in 2000 at 64.9 percent, a difference of 2.7 percentage points. If the EPOP today were as high as its 2000 peak, it would correspond to another 6 million employed workers.

While some of these six million people are counted in the unemployed (the unemployment rate had fallen to 3.9 percent at its low in 2000), the bulk of them do not enter into the unemployment measure. To be counted as unemployed, a worker must answer to a survey question that they actively were searching for work in the last week. The number of unemployed has increased by 2.5 million since 2000, but most of the six million missing job holders respond that they were not looking for work, and therefore are counted as being out of the labor force. People who are out of the labor force do not get counted as being unemployed.

Often people give up looking for work, because they view their job prospects as being very poor. This is the reason that the labor force participation rate declines in every recession. However, the decline in labor force participation has never been as long and as sharp as in this downturn. The decline in labor force participation is undoubtedly a reflection of the weak labor market; over the most recent economic downturn, the share of unemployed workers who are “long-term unemployed”—that is, out of work for at least six months, but still searching—has remained at historically high levels for over a year.

However, some analysts have looked for an alternative explanation for declining labor market participation. These analysts have suggested that the decline in labor market participation is actually a positive development because it is occurring mostly among mothers. Mothers are taking advantage of a prosperous economy to leave the paid labor force and spend more time with their young children. According to this view, the decline in the economy's EPOP is a positive development.

While it would certainly be a positive development if more mothers had this choice, the data do not support this story. First and foremost, if a strong labor market led to more mothers staying home, this would have occurred during the economic boom of the late 1990s. However, the opposite is true. Mother's labor force participation grew until the end of the boom, at which point it began to decline.

Table 1 below shows what has happened to labor force participation among prime age workers (ages 25 to 45) in the two years prior to the downturn (1998-1999) with data from 2002. The employment-to-population ratio (EPOP) measures the total share of people within each group who are employed.

Table 1**Employment to Population Ratios for Prime Age Workers (Ages 25-45)**

	1998-1999	2002	Percentage point change
Women			
With children	66.5%	63.0%	-3.5
Without children	80.0	77.0	-3.0
Men			
With children	83.0	81.0	-2.0
Without children	78.0	77.0	-2.0

Source: Authors' analysis of the Survey of Income and Program Participation, 1996 and 2001 panels.

As can be seen, there is a sharp decline in the EPOPs for both prime age men and prime age women, and for women both with and without children. While the decline for women is somewhat larger than the decline for men, and the decline for women with children is slightly larger than the decline for women without children, prime age workers have sharply lower employment rates in 2003 regardless of their gender and whether or not they have children. Given that women—and especially mothers—saw larger increases in their EPOPs during the late 90s, compared to men, it makes sense that they would see a larger decline during the downturn.

This fact is supported by taking a slightly different look at the data. Table 2 shows employment rates and wage growth for people between the ages of 18 and 30.

Table 2**Employment Patterns and Wage Growth for Young Workers (Ages 18 to 30)**

	Employment-to-population ratio		Average annual growth in hourly wages	
	2000	2003	1998-00	2000-02
All	73.4%	68.8%	2.4%	0.2%
Women	68.4	64.2	2.7	0.3
Men	78.5	73.5	2.2	0.3
White	77.2	72.9	2.1	0.4
African-American	63.1	57.0	3.0	-0.7
Latino	70.5	67.6	1.5	0.1
Other	62.9	59.3	6.9	0.5

Source: CEPR analysis of the Current Population Survey.²

² Analysis by John Schmitt. The data for 2003 only covers the first half of the year.

The data in table 2 show that for younger workers the EPOP actually dropped more for men than for women. Looking at young workers is a good comparison because, according to the Centers for Disease Control, nearly 60 percent of all first births are to mothers aged 18 to 24. The EPOP for young men dropped a full 5.0 percentage points from 2000 to the first half of 2003 for young men, while it fell by only 4.2 percentage points for young women during this period. It is also worth noting that EPOPs fell more for African-Americans (6.1 percentage points) than for whites (4.3 percentage points), which is also consistent with the view that declining rates of labor force participation are primarily attributable to lack of opportunities.

There is one final aspect to this data that is worth noting. The second pair of columns in table 2 shows the average annual rate of growth in real wages. These data show that real wages were growing quite rapidly for both young men and young women at the end of the nineties, 2.2 percent and 2.7 percent annual rates, respectively. However, wage growth fell sharply with the onset of the recession in 2001, falling to an annual rate of just 0.3 percent for both men and women. More recent data suggest that wages are now falling, with the rate of nominal wage growth not even keeping pace with inflation.³

If a more prosperous economy is making it easier for women to stay home with young children, then this should be reflected in more rapid wage growth for the men who stay in the work force. The data in table 2 indicate the opposite; real wages are growing less rapidly than in the boom at the end of the nineties. It is therefore unlikely that more families are now feeling sufficiently prosperous such that mothers of young children no longer have to seek paid employment.

In short, the argument that the sharp falloff in the rate of labor force participation is attributable to the voluntary decision of mothers to stay home with their young children is completely contradicted by the data. The falloff in labor force participation among men is comparable to the falloff among women, and there is little difference in the decline between women with children and women without children. Furthermore, slower wage growth for men does not make it easier for women to give up their jobs.

The drop in labor force participation is clearly due to a weak labor market. There is no point in denying the problem exists; it would be better to focus on how to fix it.

³ The average hourly wage increased at annual rate of just 2.1 percent over six months, while inflation has risen at a 2.4 percent annual rate, causing real wages to *fall* at a 0.3 percent annual rate.