

Why Are Women Leaving the Labor Force?

By Maria E. Canon, Helen Fessenden, and Marianna Kudlyak

The female labor force participation (LFP) rate has dropped steadily since 2000, especially among single women. At the same time, the percentage of single women has grown as a share of the female population, a trend that has increased the impact of the single women's LFP rate on the aggregate women's LFP rate. An analysis of data from the Current Population Survey shows that a growing percentage of single women who are not in the labor force are going to school. Meanwhile, an increasing share of married women list retirement as the reason for no longer participating in the labor force.

A growing debate among economists concerns the causes and consequences of the drop in labor force participation (LFP) rate in the United States.¹ In contrast to the unemployment rate, which shows the percentage of people in the labor force who are actively looking for work and cannot find it, the LFP rate measures what percentage of people age 16 and above do not participate in the labor force—for example, those who head into retirement or accept disability benefits, those who are too discouraged to search for work, or those who are not a part of the labor force for a variety of other reasons.

In October 2015, the unemployment rate was 5 percent—about where it was before the recession of 2007–09. But the LFP rate in the United States has continued to decline to around 62 percent, about 4 percentage points lower than it was before the recession. Citing this drop, some economists argue that there remains significant capacity for the labor market to tighten before wage growth picks up again.² Other economists counter that much of the decline has to do with demographic forces and

that many of these former workers are unlikely to return to the labor force. The rising number of retired workers in the Baby Boom generation, for example, is often cited as a driver for falling labor force participation.³

What is clear is that LFP rates have fallen considerably for both men and women since 2008. To understand whether this movement is part of a long-run trend or a more recent phenomenon driven by the recession, this *Economic Brief* examines changes in labor force participation going back more than two decades. Drawing on information from the Current Population Survey (CPS), the primary source of labor force data in the United States, the brief focuses in particular on the decline in the LFP rate among women.⁴

The CPS data show that the LFP rate has been declining since 2000, well before the start of the recession. However, the trends are different for men and women. For men, LFP has been declining since World War II, sloping downward more consistently since 1989.⁵ For women, it continued to rise in the 1990s to its peak in 2000 and

then started declining, and for some female sub-groups, its drop was especially sharp. Accounting for the differences among sub-groups, this analysis divides women by marital status—that is, single (never married), married (spouse present), or formerly married (separated, divorced, or widowed).

Historical Trends

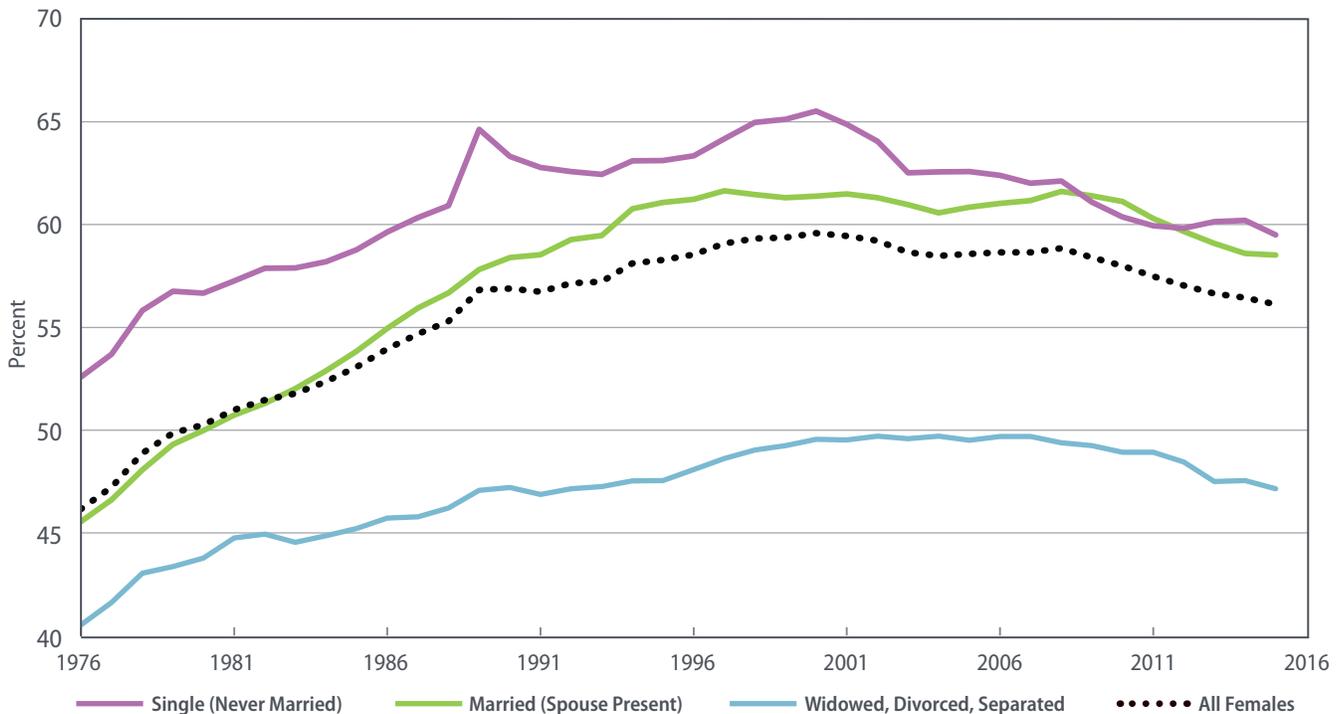
Marital status is an important factor to consider when studying labor force participation because it may affect women’s choices to enter or exit the labor force. Married women may choose to stay out of the labor force due to the household’s decision regarding which partner will be involved in household production and which partner will work for wages. Similarly, women who were formerly married may receive payments from an earlier marriage, although not all do. By contrast, single women who were never married do not have those financial resources. This factor is one reason why their LFP rates have been far higher historically than those of the other sub-groups. (The CPS does not offer further break-

downs on cohabitation among unmarried men and women.)

Women’s LFP rates vary considerably by marital status. In 2000, for example, the peak year of the aggregate rate, the rates were 65.52 percent for single women, 61.38 percent for married women, and 49.55 percent for formerly married women. Overall, the aggregate LFP rate of women is far higher today than it was four decades ago; in 1976, it was only 46.15 percent. But it has seen a steady drop since its peak of 59.58 percent in 2000 to 56.11 percent today. (See Figure 1.)

This decline in the female LFP rate has occurred across all three sub-groups, but it has been the most pronounced among single women. Since 2000, their LFP rate has declined from 65.52 percent to 59.5 percent. The drop among married women has been from 61.38 percent to 58.52 percent, and among formerly married women, from 49.55 percent to 47.14 percent. These shifts mean that, among other things,

Figure 1: Female Labor Force Participation Rate by Marital Status



Source: Current Population Survey, U.S. Census Bureau and Bureau of Labor Statistics

Note: The spike among single females in the late 1980s coincides with implementation of the Family Support Act of 1988, but further research would be necessary to suggest causality.

the LFP gap between single and married women has closed, from 7.05 percent in 1976 (52.59 percent versus 45.54 percent) to only 0.98 percent in 2015 (59.50 percent versus 58.52 percent).

In addition to shifts in LFP among these sub-groups, the population share of each sub-group has changed. There are more single (never married) women and fewer married women today compared with 2000. The percentage of women who are married has declined from almost 57 percent in 1976 to 47.29 percent in 2015. Until the mid-1990s, this drop was explained largely by rising rates of divorce and separation, which moved many women out of the married sub-group and into the formerly married sub-group. After the mid-1990s, however, the rising percentage of women who chose to remain single caused this shift.⁶ Since 2000, the share of married women in the female population has dropped by 3.66 percentage points, while the share of single women has increased by 4 percentage points. By contrast, the change in the share of formerly married women has barely moved in the past 15 years, decreasing only 0.34 percentage points.

Looking at the changes in LFP rates as well as changes in each sub-group’s share, two authors of this *Economic Brief* (Canon and Kudlyak) conducted a counterfactual exercise. They broke down the

change in the overall female LFP rate between 2000 and 2015 into the changes in the composition of the population of women by marital status and the changes in the LFP rates by marital status. The results of the decomposition are presented in Table 1.

The overall change in the female LFP rate between 2000 and 2015 was -3.46 percentage points. A simple shift-share decomposition shows that if the LFP rates of the three marital status groups had held steady at their 2000 levels while the population shares had varied as in the data, the female LFP rate would have risen 0.21 percentage points. But if the LFP rates of the three groups by marital status had changed between 2000 and 2015 as in the data while the population shares of each group had been fixed at 2015 levels, the change in the female LFP rate would have been -3.67 percentage points. In sum, the change in the LFP rate of each group appears to be an important factor behind the decline in the aggregate female LFP rate.

Overall, the composition of the female population by marital status between 2000 and 2015 shifted toward females who typically have a relatively high LFP rate—the share of single females increased by 4 percentage points. However, during this period, single females experienced the largest decline in the LFP rate—6.02 percentage points.

Table 1: Changes in the Female Labor Force Participation Rate by Marital Status from 2000 to 2015

| | Marital Status | | | | | | |
|----------------------------------------------------------------|-------------------------|-----------------------------|----------|---------------------------|----------|---------------------------------|----------|
| | All Females | Married (Spouse Present) | | Single (Never Married) | | Widowed, Separated, Divorced | |
| | | LFP Rate | LFP Rate | Share | LFP Rate | Share | LFP Rate |
| 2000 | 59.58% | 61.38% | 50.95% | 65.52% | 25.05% | 49.55% | 24.00% |
| 2015 | 56.11% | 58.52% | 47.29% | 59.50% | 29.05% | 47.14% | 23.66% |
| Percentage Point Change (2000–2015) | -3.46 | -2.86 | -3.66 | -6.02 | 4.00 | -2.41 | -0.34 |
| Shift-Share Decomposition of the Change in the Female LFP Rate | | | | | | | |
| Change if groups’ shares fixed at 2015 | -3.67 Percentage Points | | | | | | |
| Change if groups’ LFP fixed at 2000 | 0.21 Percentage Points | | | | | | |

Sources: Current Population Survey, U.S. Census Bureau and Bureau of Labor Statistics, and authors’ calculations

Notes: Shares are the percentages of all females accounted for by each group. The bottom two numbers isolate the effects of changes in groups’ labor force participation rates and changes in groups’ population shares.

Some caveats apply to this exercise. In particular, in the counterfactual exercise, either the composition of the female population by marital status or the LFP rates of different marital groups are held fixed. However, both might vary simultaneously because they are influenced by common factors. That is, the labor market prospects of females influence their labor force participation as well as their decision to marry. For example, if the labor market prospects of females improve, there might be fewer marriages to the extent that marriage is viewed as a risk-sharing arrangement.

Marriage and Children

The analysis of CPS data by Canon and Kudlyak offers some other findings that relate to marriage and children. One is that a married woman's participation in the labor force is not significantly affected by whether her husband is working or unemployed. Moreover, this dynamic has not changed much in the past 15 years. However, the LFP rate of women is strikingly lower for those who are married to men who are out of the labor force; these rates are, on average, 35 percentage points lower than those of other married women. In 2015, married women with husbands in the labor force (either working or looking for work) had an LFP rate of 69 percent, compared with 34 percent for women married to men who are out of the labor force.

Another important question is whether the presence of young children—defined here as children age six and younger—affects the LFP rate of all three sub-groups of women. The CPS data show that for married women, the differences are minimal between those with small children and those without. Among those with small children, the LFP rate has risen slightly, from 60 percent in 2003 to 63 percent in 2015, while it has dropped from 61 percent to 58 percent for those without small children. In 2015, single women with young children have higher LFP rates than those without (69.02 percent versus 58.45 percent), and the same holds for formerly married women (71.12 percent versus 45.89 percent). This trend has held steady through the years with no major effect from the recession of 2007–09.

More broadly, the CPS data offer information on what people who are out of the labor force do by drawing on detailed questionnaires. The categories include going into retirement, taking disability leave (which often involves a government benefit), going back to school, and a catch-all category for all other reasons. The data show a sharp rise of single women in school between 2000 and 2015, from 10 percent to 15 percent of that population. This increase almost matches the 6 percentage point decline of single women in the labor force. It is also far larger than the shift seen in school attendance rates of the other two sub-groups by marital status, which rose only marginally in those years.

Retirement trends also may be playing a role in the decline of the female LFP rate, given that millions of Baby Boomers—Americans who were born from 1946 through 1964—began receiving Social Security benefits and leaving the labor force in the past decade. In 2000, about 16 percent of married women were in retirement; by 2015, that number had risen to 20 percent. Among formerly married and single women, meanwhile, the changes in the percentage of retired were minimal. Women who were formerly married have had by far the highest share of retirees, averaging around 35 percent since 2000, while single women have had the lowest (around 3 percent).

Since 2000, the category with the smallest percentage increase has been women who cite disability as the reason for being out of the labor force. This group covers adults who are receiving a benefit—typically through a federal program called Supplemental Security Income—because they cannot work due to a mental or physical disability. Among married women, the increase is from 3 percent to 4 percent; among single women, 3 percent to 5 percent, and among formerly married, 8 percent to 10 percent.

Conclusion

In conclusion, this *Economic Brief* offers a snapshot of women's labor trends since 2000 that can account for some of the decline in labor force participation. The data show that the decline in the female LFP rate started well before the beginning of the 2007–09

recession. Women going to school and an increased share of women in retirement can explain some of the decline in the LFP rate. ■

Maria E. Canon is an economist in the Research Department of the Federal Reserve Bank of St. Louis. Marianna Kudlyak is an economist and Helen Fessenden is an economics writer in the Research Department of the Federal Reserve Bank of Richmond.

Endnotes

- ¹ For an overview of this debate, see Regis Barnichon and Andrew Figura, “Declining Desire to Work and Downward Trends in Unemployment and Participation,” and associated comments and discussion, in *NBER Macroeconomics Annual 2015*, Martin Eichenbaum and Jonathan Parker (eds.), vol. 30.
- ² See Daniel Aaronson, Luojia Hu, Arian Seifoddini, and Daniel G. Sullivan, “Declining Labor Force Participation and Its Implications for Unemployment and Employment Growth,” Federal Reserve Bank of Chicago *Economic Perspectives*, Fourth Quarter 2014, vol. 38, pp. 100–138.
- ³ See Ravi Balakrishnan, Mai Dao, Juan Solé, and Jeremy Zook, “Lost Workers,” International Monetary Fund *Finance and Development*, September 2015, vol. 52, no. 3. The authors argue that demographic factors are important, but they do not entirely dismiss cyclical factors.
- ⁴ The Current Population Survey is conducted by the U.S. Census Bureau for the Bureau of Labor Statistics.
- ⁵ For a discussion of male labor force participation, see Marianna Kudlyak, Thomas Lubik, and Jonathan Tompkins, “Accounting for the Non-Employment of U.S. Men, 1968–2010,” Federal Reserve Bank of Richmond *Economic Quarterly*, Fourth Quarter 2011, vol., 97, no. 4, pp. 359–387.
- ⁶ See Diane J. Macunovich, “Relative Cohort Size, Relative Income, and Married Women’s Labor Force Participation: United States, 1968–2010,” *Population and Development Review*, December 2012, vol. 38, no. 4, pp. 631–648

This article may be photocopied or reprinted in its entirety. Please credit the authors, source, and the Federal Reserve Bank of Richmond and include the italicized statement below.

Views expressed in this article are those of the authors and not necessarily those of the Federal Reserve Bank of Richmond or the Federal Reserve System.

