

Explaining Trends in “Opting Out” among Women, 1981-2005

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April 2008

Extended Abstract

The decades-long surge of married women into the U.S. labor force appears to have stalled or even reversed in the mid-1990s. While the slowdown is more pronounced among college-educated women, it appears to be occurring across women of all backgrounds. The question is why. Have women’s preferences for home *vs.* market work changed, or have changing circumstances – in their pay, job opportunities, career demands, husband’s earnings, other income, family situations, availability and cost of child care – made it relatively less attractive for them to work? The trend in “opting out,” or staying at home to take care of family, could be affected by changes in the characteristics of the population that are related to labor supply, such as an increase in the number of preschool children, other care giving responsibilities, or family income, or by changes in the labor market context such as the business cycle, changing demands of the workplace, or the gender wage gap.

The current paper is part of an ongoing research project, in which we are investigating recent trends in the labor supply of highly educated mothers in the U.S. to determine how much of the change in full-time care giving can be explained by changes in observable characteristics of mothers and their families. We first review the earlier phase of this research, in which we adjusted for changes in personal characteristics, and then describe the current phase, in which we assess the effect of changes in two key workplace context variables.

Throughout the project we use a direct measure of “opting out” from the March Current Population Survey: that a woman did not work last year because she was “taking care of home or family.” We pool the March 1982-2006 CPS data for married mothers aged 22-59 with a BA or higher degree. In the earlier phase we estimated a probit model with controls for geographic location, personal characteristics, family composition, and income, and either yearly dummies or a linear spline time trend. We also estimated the model separately using the March CPS data for 1982, 1994, 2000, 2003, and 2006 to allow the effects of the control variables to vary over time. We then decomposed the changes in full-time care giving into the contributions of changes in the average characteristics of the population and changes in unobserved factors, including preferences.

The results show that the percentage of highly educated married mothers who “opted out” for at least a year declined steadily from 25.2 percent in 1981 to 16.5 percent in 1993, then rose to 21.3 percent in 2005. Ninety percent of the post-1993 increase occurred during the three-year period, 1999-2002. There was no increase between 1994 and 1999, and there has been no further increase since 2002. By themselves, the changes in demographic and family characteristics that can be observed in the Current Population Survey (such as the mother's age, highest degree, number and ages of her children, her husbands' earnings, and other family income) would have produced an upward trend in full-time care giving throughout the past 25 years. If those characteristics of mothers had not changed, the 1981-1993 decline in full-time care giving would have been 12.5 percentage points instead of 8.7 points, and the rise since 1993 would have been almost 30 percent smaller than it actually was.

Surprisingly, we find that all of the pre-1993 decline in staying home and most of the run-up since 1993 was due to factors that are not measured by the CPS. The post-1993 time pattern, with the increase in staying home concentrated in the period 1999-2002, provides some

clues to what those factors might be. It is not consistent with a shift in women's underlying preferences for career *vs.* family, which would have a more persistent, cumulative effect. Rather, the relatively sharp turnaround in the “opting out” trend suggests that the Family and Medical Leave Act of 1993 and unmeasured factors associated with the late-1990s boom and subsequent “bust” may have been important, among them changes in family wealth, job demands (specifically longer hours of work), the gender wage gap, and child care costs. Moreover, the labor force participation of childless and less educated women (other than single mothers who were affected by welfare reform) has also been declining since at least the mid-1990s.

These results leave much room for further study. In the next section of the paper we add measures of two contextual variables that have been hypothesized to influence women’s decisions about the allocation of labor between home and market. Specifically, we investigate the possibility that a workplace culture of increasingly long work hours is helping to drive women with children and other care giving responsibilities out of the labor force. We also investigate whether recent changes in the gender wage gap have affected married mothers’ labor force participation.

As before, our binary dependent variable is “stayed home all last year to take care of home/family” -- a more direct measure of “opting out” than the usual dependent variable, labor force participation last week. Again, we use the demographic and income information in the March CPS to investigate the impact of these factors on the propensity of women to stay at home. In particular, we include geographic location (Census division and type of urban area), state unemployment rate, age (a cubic function), educational attainment, race/Hispanic ethnicity, immigrant generation and time in the U.S., disability status, the age of the youngest child (if any), number of children by age, number of other adults in the household by age and gender, her husband’s earnings (a quadratic function with a dummy variable indicating whether his earnings

were topcoded) and other family income, excluding her own labor-related transfer payments (which are endogenous in a model of not working). We supplement this information from the March CPS with two variables for which we construct new measures from the Basic monthly CPS and the CPS Outgoing Rotation Groups, merging them to individual records by linking them to the respondent's MSA of residence. These are: (1) workplace culture, indicated by the proportion of workers in the respondent's MSA aged 22-59 with a BA or higher degree who are working more than 50 hours a week (computed from the monthly basic CPS microdata); and (2) the gender wage gap, measured by the female/male median weekly earnings ratio for full-time workers in the MSA aged 22-59 with a BA or higher degree (computed from the monthly CPS Outgoing Rotation Groups microdata).

The inclusion of these additional variables representing the workplace context entails limiting the sample to 1983-2006 and to women living in MSAs that are identified in the monthly CPS and for which the new variables can be calculated (about 72 percent of the national sample for 1982-2006). We find that college-educated mothers living in MSAs were one to two percentage points more likely to “opt out” than the national average, but their trend parallels the national trend since 1985. Long work hours in the MSA and year has the expected positive effect on “opting out,” but the gender wage ratio in the MSA is not statistically significant. Addition of these two variables to the model does *not* help explain the increase in “opting out” since 1993. If these workplace characteristics as well as the mothers' personal characteristics had remained constant over time, the rise since 1993 would have been 4.7 points, almost as large as it actually was. The 1982-1993 decline would have been 10.2 percentage points, about a third larger than it actually was, which is similar to our earlier result without workplace characteristics in the model.

Compared with controlling only for personal characteristics, adding the workplace context variables to the model makes almost no difference between 1982 and 2000. During that period the effect of changes in the observable characteristics was to increase opting out fairly steadily, whether or not the workplace context variables were included. But since 2000 the effect of changes in the observable characteristics has been to leave opting out unchanged on balance when the workplace context variables are excluded, but to reduce opting out when they are included. This is because long work hours became less prevalent after 2001, which by itself would tend to reduce “opting out.”

In future work we will explore the effects of changes in child care costs and family wealth on the trends in “opting out.” We also intend to expand the focus of our study beyond highly educated married mothers to include less educated, single, and childless women, whose labor force participation rates have also been declining since at least the mid-1990s. Perhaps factors unrelated to child-rearing (such as elder care) have been affecting the workforce participation of all women, regardless of education or motherhood.