

Gender Bias in the Current Economic Recovery? Declining Employment Rates for Women in the 21st Century

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Executive Summary

This paper compares employment growth at this point in the current recovery, following the 2001 recession, with its performance in the prior four economic recoveries. It finds:

- There has been a 1.9 percentage point falloff in the share of the adult population that is employed (the employment to population ratio or EPOP) since the pre-recession peak. This falloff corresponds to 4.3 million fewer people holding jobs than if the EPOP had remained at its pre-recession peak. In the prior three recessions, the EPOP had risen back close to its pre-recession peak by this point in the recovery.
- During this recovery, more older workers and less younger workers have been employed. This is a reversal in employment patterns by age cohort compared to prior recoveries. In the previous post-war recoveries, EPOPs among older workers (ages 55 to 64) declined as part of a secular trend toward earlier retirement. EPOPs among older workers have risen rapidly in this recovery, however presumably a response to falling 401(k)s and rising health care costs. In contrast, EPOPs among prime age workers (ages 25-54) have fallen during this recovery.
- Unlike during previous recoveries, there has been a sustained decline in the EPOP among prime age women (ages 25-54). While the EPOP for prime age men has been falling for most of the last three decades, the EPOP for prime age women had risen sharply during each of the last three recoveries. The pattern of employment growth in this recovery is distinct from prior recoveries primarily because the EPOPs among prime age women have fallen, rather than risen.
- The decline in EPOPs for women is consistent with data indicating very small increases in the number of women on employers' payrolls. At this point in the recovery from the 1990-91 recession, the weakest of the post-World War II recoveries, payroll employment among women had already increased from its pre-recession peak by 6.6 percent. By contrast, payroll employment among women is up by only 1.5 percent in this recovery and by just 0.7 percent in the private sector, failing to keep pace with population growth.
- The decline in EPOPs for prime age women is likely due to the lack of employment opportunities, rather than mothers opting out of the labor market. The EPOP fell for prime age women without children by nearly as much as it fell for mothers. Women lost a disproportionate share of jobs in sectors that have lost more than five percent of employment since the last economic peak, indicating that women have been hard hit by employment losses.

Introduction

The current economic recovery will be four years old in November. Even though economic growth and productivity have been relatively healthy, the labor market has still not fully recovered from the effects of the downturn by many measures. It took almost four full years for total payroll employment to pass its pre-recession peak and more than four years for private sector employment to pass its pre-recession levels. This prolonged period of job loss has no precedent in the post-World War II period.

The weak job growth has coincided with a sharp decline in the share of the adult population employed (the employment to population ratio or EPOP), as job growth has not kept pace with the growth of the working age population. This paper examines how weak job growth has impacted different segments of the labor market; specifically, how it has affected older versus younger workers, and how the impact has differed between men and women.

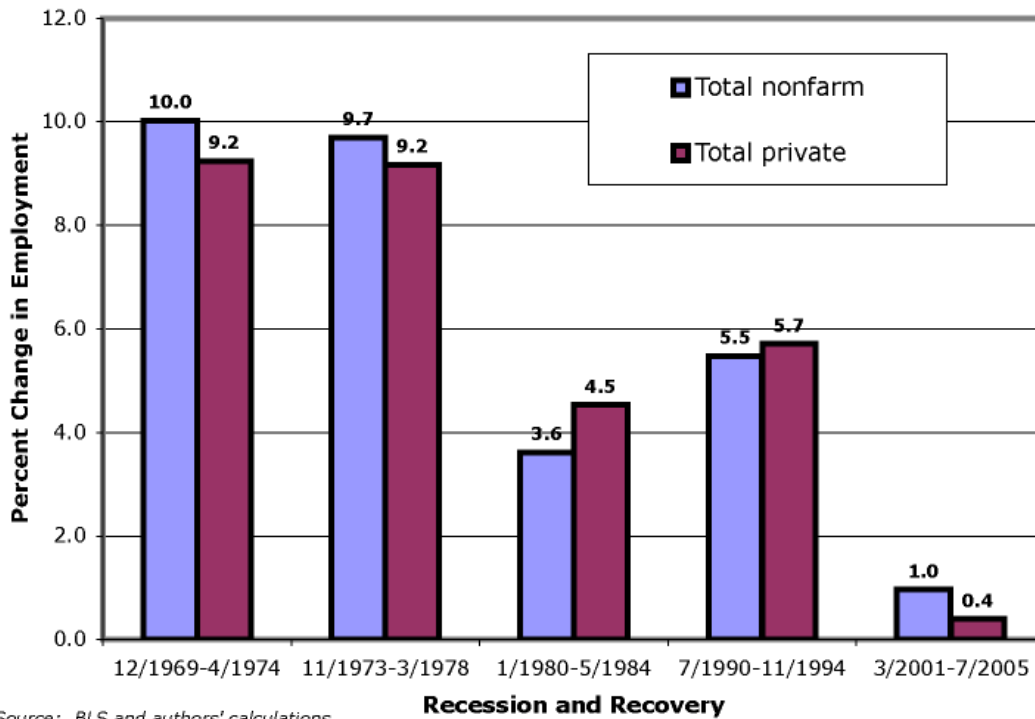
Job Growth in the Recovery

The current recovery is by far the weakest in the post-World War II period. Prior to the recession, payroll employment peaked in February of 2001. The recession began in March 2001. Payroll employment did not pass this level again until January of 2005, the longest period without job gains since the great depression of the 1930s. The employment situation in the private sector was even worse. Payroll employment in the private sector only passed its December 2000 peak in June of 2005, 51 months after the recession began.¹

Figure 1 shows the percentage gain in payroll employment in the current recovery and the prior four recoveries 52 months after the start of the recession.²

¹ This discussion focuses on comparisons with the previous business cycle peak. This is the fairest method for comparing business cycles. A sharp downturn is likely to be followed by a rapid recovery, since it is usually relatively easy to gain back the output and jobs lost in a recession. As a result, we should expect the recovery following a relatively mild recession, like the 2001 downturn, to be weaker than a recovery following a more severe downturn. However, using the peak of the prior business cycle as the basis for comparison removes this bias.

² The double-dip recession at the start of the eighties is treated as a single recession, with the start of the recession dated as January of 1980.

Figure 1: Payroll Employment

Total payroll employment in July of 2005 stood 1.0 percent above its level at the business cycle peak 52 months earlier, while private sector employment was just 0.4 percent higher than its level 52 months earlier. By comparison, payroll employment had risen by 5.5 percent and 3.6 percent at the same point following the prior two recoveries, with private sector employment showing somewhat larger gains. The recoveries following the 1970 and 1974 recessions showed even more rapid job growth, with payroll employment rising 10.0 percent and 9.7 percent, respectively. Private sector employment grew slightly less rapidly than overall employment in those recoveries, but still far more rapidly than in the post 1980-recessions.

It is difficult to make consistent comparisons in employment patterns by sector because of changing definitions, but there are some points worth noting. There has been an extraordinary falloff in manufacturing employment throughout the current recovery, with the sector having lost 2.7 million jobs since March of 2001, continuing a decline that had been going on for several years before the recession began.³ Manufacturing employment had also fallen sharply in the early 1980s and was still 1.3 million below the January 1980 pre-recession peak at the same point in that recovery. In the early 1990s recovery, manufacturing employment was 717,000 below its pre-recession level at this point in the recovery. While manufacturing employment has been declining for most of the last quarter century, the pace has clearly been far more rapid in the recent downturn and the current recovery. The soaring trade deficit is the obvious explanation for this more rapid job loss.

³ The data on payroll employment is taken from "Employment, Hours, and Earnings" from the Current Employment Statistics Survey (National) provided by the Bureau of Labor Statistics website [<http://www.bls.gov/ces/home.htm>], Table B-1. Employees on nonfarm payrolls by major industry sector, 1955 to date [<ftp://ftp.bls.gov/pub/suppl/empsit.ceseeb1.txt>].

Two other sectors that show noteworthy differences with the previous recession are the information sector and the temporary help sector. At this point following the 1990-91 recession, employment in the information sector was 79,000 above its pre-recession peak. It also stood above its pre-recession peaks at the same point in the prior three recessions. As of July 2005, however, employment in the information sector still stands almost 600,000 below its pre-recession level. Clearly, the sharp decline in employment in this sector is a lingering effect of the collapse of the tech bubble.

The other sector showing a sharp departure from the pattern following the 1990-91 recession is the temporary help sector. At this point following the 1990-91 recession, employment in the sector was 551,100 above its pre-recession level. By contrast, employment in the temporary help sector in July of 2005 was virtually identical to its level in March of 2001, the business cycle peak. In the last decade, employment in this sector was generally viewed as reflecting the overall health of the labor market, with upturns in temporary employment preceding periods of rapid job growth. Insofar as this is the case, it should not be surprising that temporary employment would be depressed during a period of weak job growth.

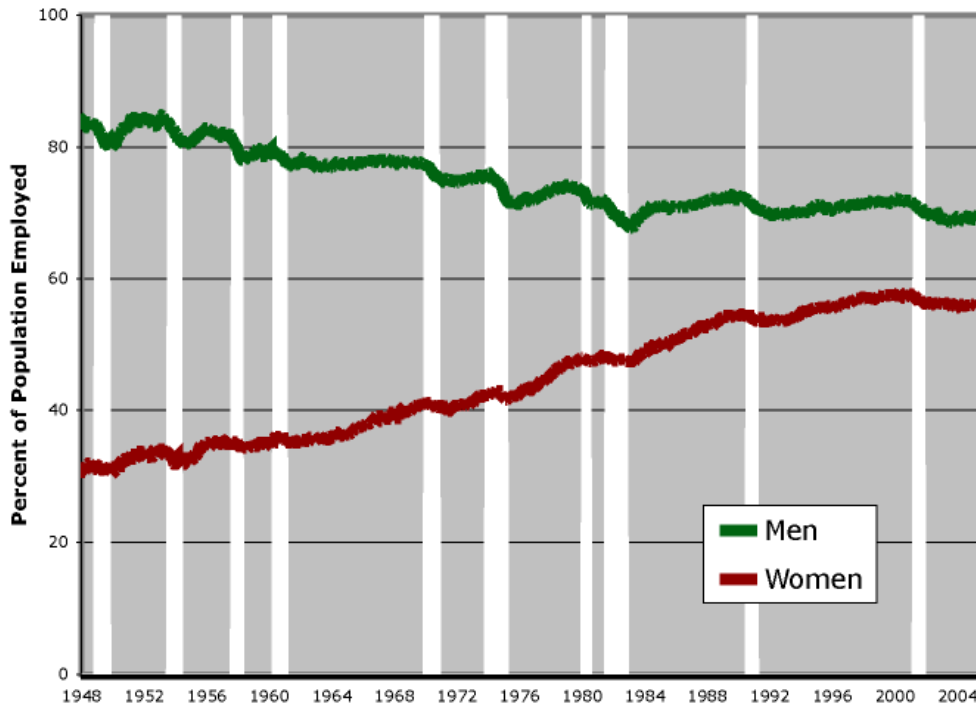
Employment Rates

The weak job growth in the current recovery has not led to high unemployment, as officially defined by the Bureau of Labor Statistics. The current 5.0 percent unemployment rate is far below the average for the last 30 years. Instead, millions of workers have simply left the labor market altogether. Since they are not looking for jobs, they are not counted as being unemployed. For this reason, the employment rate or EPOP probably gives a better picture of the state of the labor market.⁴

The EPOP for the entire civilian population stood at 62.8 percent in July of 2005. This is 0.7 percentage points above the lows hit in the summer of 2003, but it is still 1.9 percentage points below the peaks reached in 2000. This dropoff corresponds to 4.3 million fewer people being employed than if the economy had sustained its peak EPOPs. By this measure, there is considerable excess supply in the labor market.

The extended dropoff in employment is a break from the trend during previous recoveries (figure 2). What is also unique about this recovery is that both men and women have seen an extended dropoff in EPOPs. Over the past half-century, women's employment rates have generally risen and men's have fallen, leading to increased gender parity in employment rates. However, during the current recovery, neither men nor women have seen a rise in their employment rates. The current EPOP for women remains 1.4 percentage points lower than it was at the peak in 2000, while for men, the EPOP is 1.6 percentage points lower.

⁴ Benjamin Bernacke, who is currently the Chairman of President Bush's Council of Economic Advisors, argued this point in a talk given at the beginning of 2003, when he was the vice-chairman of the Federal Reserve Board, "Monetary Policy and the Economic Outlook: 2004," Paper Presented at the American Economic Association Convention, January, 2004 [<http://www.federalreserve.gov/boarddocs/speeches/2004/20040104/default.htm>].

Figure 2: Employment-to-Population Ratio (EPOP)

Source: BLS and authors' calculations.

It remains the case that men's employment has fallen more than women's, indicating that the drop off in employment probably has more to do with the lackluster employment opportunities for both men and women, than because women have chosen to drop out of the labor force. During the most recent recession and recovery there were four major industries that lost more than 5 percent of employment, durable goods: non-durable goods, information, and administrative and waste services. In each of these, women have lost a disproportionate share of the jobs over the course of the recession and recovery. For example, at the peak of the last economic cycle, in 2000, women accounted for 37.2 percent of the employment in non-durable goods, yet they accounted for 53.2 percent of the jobs lost through May 2005.

Employment patterns by age have also diverged sharply with the pattern in prior recoveries. The most striking feature of the EPOPs by age is the increase in the EPOP among older workers in the current recovery. At the same time, EPOPs have declined for both prime age women and men. EPOPs have been declining for most of the post-war period for men between the ages of 55 and 64. However, in this recovery, they have risen by 1.6 percentage points above their pre-recession level. For women between the ages of 55 and 64, a rise of 4.3 percentage points in the EPOP contrasts with a sharp decline in the EPOP among prime age workers.

There are two obvious forces that could explain the increase in EPOPs among older workers, relative to younger workers. The first is rising health care costs. Health care costs have risen rapidly for all workers, but the impact of rising costs is especially important for older workers who face higher health care expenses on average. This effect is amplified by the fact that employer-provided health care coverage for retirees is being curtailed rapidly. Undoubtedly, many older workers now feel the need to get a job that provides health care coverage or at least

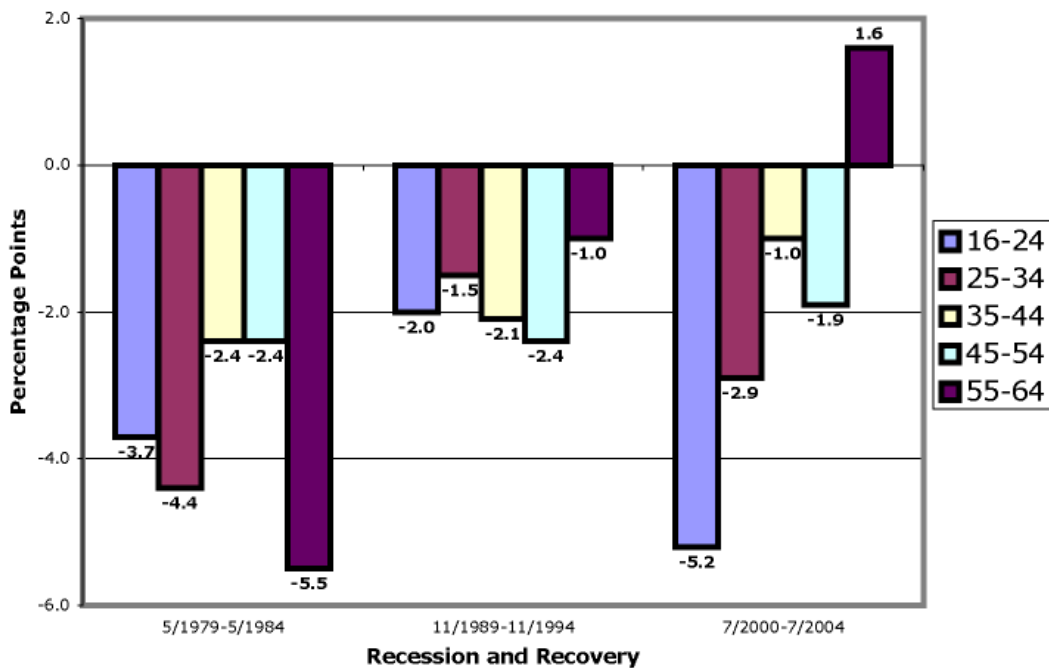
additional income to help cover the cost of health care until they are old enough to qualify for Medicare.

The other obvious factor pushing older workers into the labor force is the decline in the value of their savings following the stock crash. Many workers in the late 1990s undoubtedly made retirement plans based on the bubble-inflated value of their stock holdings. When the bubble collapsed, millions of workers had to adjust their plans and stay in the labor force longer.

The rising cost of health care and the drop in the stock market are obvious explanations for the increase in labor force participation among older men. There is also an increase in the EPOP among older women; while this is consistent with past patterns, the rise in EPOPs for older women is larger than in prior recoveries.

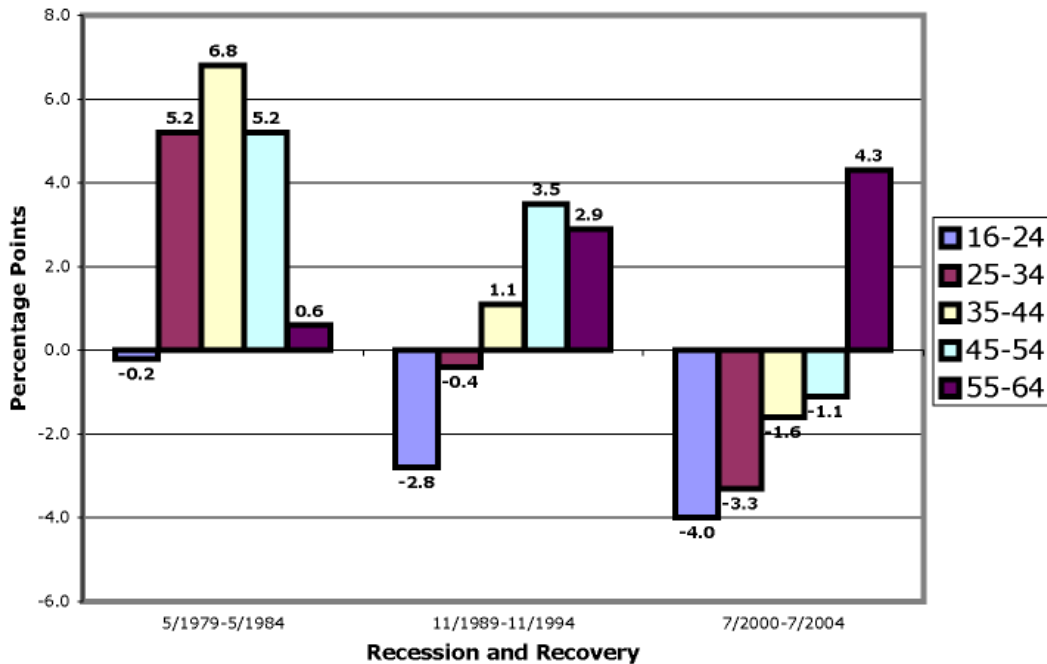
The flip side of the rising EPOP among older workers is a declining EPOP among younger workers, and younger women in particular. Figure 3 shows the EPOPs of men by various age cohorts. While the EPOP declined for all age cohorts in the current recovery, except the 55 to 64 age group, this drop is actually consistent with the pattern following the prior two recessions. In both of these cases, there was a decline in the EPOP among prime age men even far into the recovery.

Figure 3: Change in EPOP by Age Since 8 Months Prior to Start of Recession (Men)



Source: BLS and authors' calculations.

Figure 4: Change in EPOP by Age Since 8 Months Prior to Start of Recession (Women)



Source: BLS and authors' calculations.

What distinguishes the current recovery is the declining EPOP among prime age women, as shown in Figure 4. In this recession, the drop in EPOPs among prime age women is very similar to the drop among prime age men. By contrast, EPOPs among prime age women had risen sharply in the prior two recoveries. For example, the EPOP for women age 35-44 had risen by 6.8 and 1.1 percentage points, respectively, at this stage in the prior two recoveries. By contrast, it has fallen by 1.6 percentage points in the current recovery. The EPOP for women between the ages of 45 and 54 had risen by 5.2 percentage points and 3.5 percentage points in the last two recoveries. It has fallen by 1.1 percentage points in the current recovery.

The drop in the EPOPs among women, and especially prime age women, is the most distinguishing feature of the labor market in this recovery. This drop in EPOPs presumably reflects fewer opportunities as a result of the economy's extraordinarily weak job growth in the current recovery. Apparently, this weakness has disproportionately affected sectors of the economy that traditionally provide jobs for women.

Table 1 provides further evidence that the lower employment rates of women during the current recovery are driven by the decreased availability of jobs, rather than women choosing to drop out of the job market. Prime-age women with children (ages 25 to 44) saw a relatively large drop in their employment rate from 1999 to 2003; however, a large drop also occurred for women without children. This indicates that the drop in women's EPOP is not due to mothers "opting out" of employment, but is rather a widespread phenomenon among women, as well as men.

Even the small difference in the decline in the EPOPs among prime age women with children and prime age women without children may be attributable to weakness in the labor market. In

the early 2000s, employers have not had to offer generous family friendly packages as many did during the tight labor market of the late 1990s to woo mothers to their firms. The lack of such policies could cause more mothers to stay out of the workforce. However, the share of family income brought in by wives has continued to increase during the recovery, up from 32.8 percent in 1999 to 35.2 percent in 2003, indicating that women’s earnings continue to be critical for a family’s budget.

Table 1. Change in employment rate from 1999 to 2003

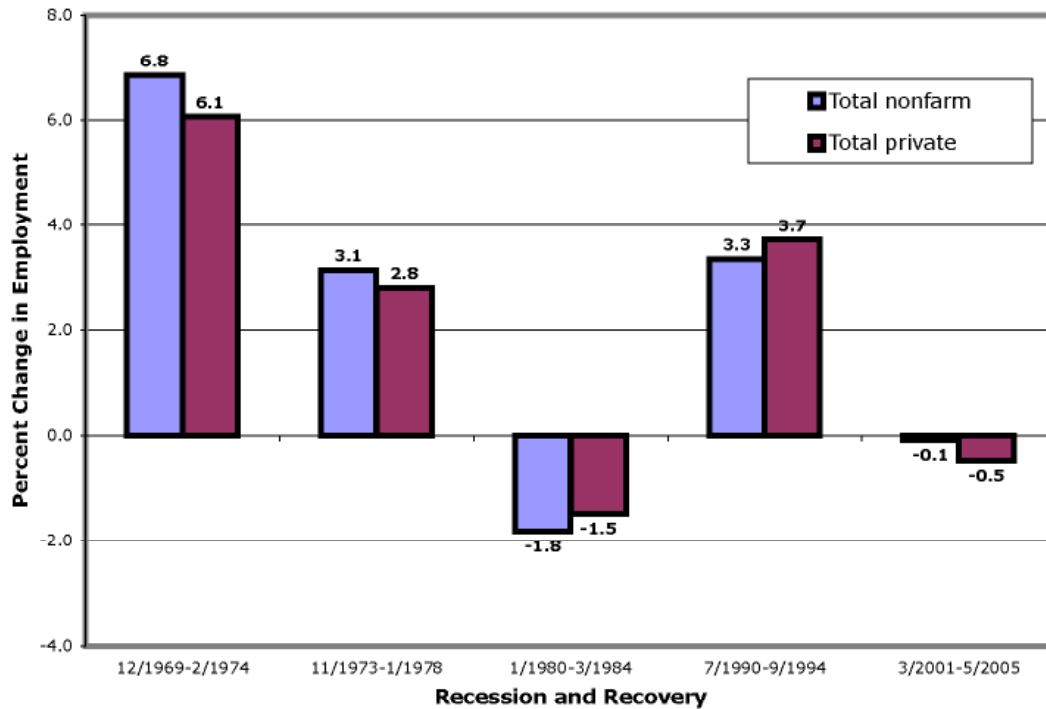
Percentage point change

Age group	With Children		No children		Total	
	Men	Women	Men	Women	Men	Women
18 to 24	-4.2	-4.7	-2.4	-2.4	-3.0	-3.1
25 to 44	-1.9	-4.4	-2.8	-3.2	-2.5	-3.8

Source: Author's analysis of the 1996 and 2001 panels of the Survey of Income and Program Participation.

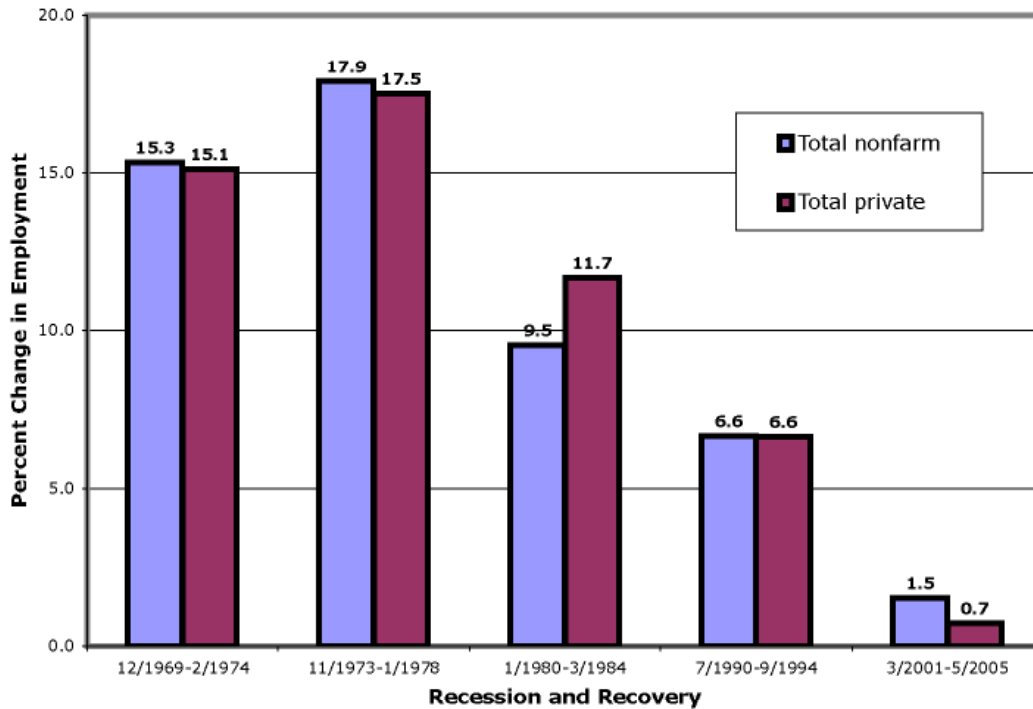
The drop in women’s EPOPs is consistent with the data on employment by gender from the Bureau of Labor Statistics establishment survey.⁵ Figures 5 and 6 show data on employment growth by gender for the current recovery, and the prior four recoveries.

Figure 5: Change in Employment Level (Men)



Source: BLS and authors' calculations.

⁵ The Bureau of Labor Statistics stopped collected this data in April so there is no data available on payroll employment by gender for the May-July period. Figures 5 and 6 adjust the data from the prior recoveries to only cover 50 months so that the comparisons are similar.

Figure 6: Change in Employment Level (Women)

Source: BLS and authors' calculations.

While the growth in payroll employment is down for both men and women, the falloff is much sharper for women. At this point in the recovery from the 1990-91 recession, the weakest prior post-war recovery, payroll employment among women was already up by 6.6 percent. In the current recovery, employment has only increased by 1.5 percent. The record is even worse in the private sector, where payroll employment has increased by just 0.7 percent, compared to 6.6 percent in the last recovery. If this pattern continues, it will seriously limit the ability of women to reduce the gender gap in economic outcomes.

Over the past few decades, women have made strides towards greater equality in the workplace, including moving into a broader array of occupations and industries. An implication of this, however, is that women are now more vulnerable to the ups and downs of the labor market, similar to men.

In the last year, the economy has been creating jobs at a reasonably healthy pace, although even at this growth rate (2.2 million jobs a year), it would take approximately 6 years to bring the EPOP back to its pre-recession level.⁶ Given the current imbalances in the economy, most importantly the extraordinary run-up in house prices and the large trade deficit, it is unlikely that the recovery can be sustained on its current course for long. The implication is that it will be a considerable period of time before women fully make up the ground they lost in the downturn and the recovery to date.

⁶ This calculation assumes a natural rate of growth of the labor market of 1.5 million a year, approximately the rate projected by the Social Security trustees.

Appendix: Notes on Figures

1. Current Employment Statistics series CES0000000001 and CES0500000001.
2. Current Population Survey series LNS12300001 and LNS12300002.
3. Data for workers age 55-64 is not seasonally adjusted by the BLS. Thus, Figure 3 dates recessions eight months early so as to look at the differences over five full years. Current Population Survey series LNS12324885, LNS12300164, LNS12300173, LNS12300182, and LNU02300190.
4. Data for workers age 55-64 is not seasonally adjusted by the BLS. Thus, Figure 4 dates recessions eight months early so as to look at the differences over five full years. Current Population Survey series LNS12324886, LNS12300327, LNS12300334, LNS12300341, and LNU02300347.
5. Current Employment Statistics series CES0000000001 and CES0500000001 (all workers) less series CES0000000002 and CES0500000002 (women workers).
6. Current Employment Statistics series CES0000000002 and CES0500000002.