

Labour force participation of women and « marriage market » in the USA

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In the USA, husbands are on average two years older than their wives. When people born during a baby boom are ready to get married, there are more women on the “marriage market” than men, their bargaining power is consequently lower. According to Shoshana Grossbard, cyclical variations of the labour force participation of women could thus be explained by demographic conditions on the “marriage market”.

Following five decades of continuous increase, the labor force participation rate of US women started to fall in 1998. It went from 76.7% in the labor force in 1997 to 75.3% in 2005.¹ By 2006 the White House Council of Economic Advisers was expressing its concern in a report to Congress: slower growth in women’s labor force participation may weigh on potential economic growth. This concern was unnecessary: ever since it reached its bottom in 2005, women’s labor force participation rate has been increasing again, although at a slow pace. Nevertheless, it is interesting to examine possible explanations for the unexpected dip in women’s labor supply.

¹ For women ages 25-54. The data used here were extracted at <http://data.bls.gov/PDQ/outside.jsp?survey=ln>

Was this decrease due to slow overall employment growth, as argued by Claudia Goldin, an economics professor at Harvard University? That argument is weak, for male employment growth did not dip much. Goldin has also argued that the U.S. possibly reached a ‘natural rate’ of women’s labor force participation. But is it ‘natural’ that young women’s participation rates are about 10% higher in the Scandinavian countries than in the U.S? The argument advanced here is that drops in women’s labor force participation rates originated from fluctuations in marriage market conditions. In turn, earlier fluctuations in fertility led to changing marriage markets. This explanation helps account for the overall trend in women’s labor force participation, as well as for the age patterns involved.

The drops in labor force participation rates in the early part of the decade were concentrated among young women. For instance, the percentage of women in their late twenties in the labor force dropped almost 4 percentage points, from 77% in 2000 to 73% in 2004. In contrast, participation rates among women in their early fifties remained stable during this period. Young women are more likely to deal with the pressures of combining work and family. “Perhaps [working mothers’] time has been compressed as far as it will go,” suggested Suzanne Bianchi, a sociology professor at the University of Maryland, when interviewed for the New York Times in March 2006. As an explanation for the dip in labor force participation this argument is unconvincing: had it become more difficult to raise a child in 2005 than it had been in 2000, or did employers become less flexible during those five years? And if there were such trends, why did they not last longer?

To better understand these recent trends in young women’s labor force participation we have to keep in mind that most of the women who dropped out of the workforce earlier in the decade were not independently wealthy and that they were in a couple (marriage or cohabitation). Their leaving the labor force typically meant that their husbands/partners took upon themselves the role of sole providers, which reflects a certain degree of traditionalism in gender roles.

To explain these surprising trend reversals it is useful to turn to the marriage squeeze hypothesis that sociologist David Heer and I developed at the University of Southern California in 1980². This hypothesis later led me to predict the decrease in young women's labor participation while working on an article with Clive Granger, a Nobel prize-winning economist, published in French in *Population*.³

Women are squeezed in marriage markets when there is an overabundance of women relative to the number of marriageable men, making it easy for men to find wives and female live-in companions. In contrast, when there is a marriage squeeze for men, the marriage market favors women. Whether the squeeze is on men or on women, large fractions of marriage market participants in the U.S. follow traditional gender roles, with men acting as principal earners and women as producers of most of the homemaking. In this context, marriage markets can be re-interpreted as peculiar labor markets in which women supply work in household production that men benefit from and are willing to pay for. Such work, which I have called work-in-marriage⁴, can in principle be supplied by men or women, but in practice it is more likely to be supplied by women. In a marriage squeeze for women, markets for women's work-in-marriage become "buyers' markets". In a marriage squeeze for men, they become "sellers' markets". David Heer and I hypothesized that women are likely to have more bargaining power in marriage if relationships start during marriage squeezes for men than if they start during marriage squeezes for women.

We don't observe what I have called 'quasi-wages' for women's work-in-marriage, but we can measure some of the benefits that come with a career in (full-time or part-time) homemaking. One of these benefits, getting a spouse to pay more bills, can possibly free women from participating in the workforce full-time. For women who "sell" their work-in-marriage in sellers' markets, higher bargaining power in marriage

² David M. Heer and Amyra Grossbard-Shechtman. "[The Impact of the Female Marriage Squeeze and the Contraceptive Revolution on Sex Roles and the Women's Liberation Movement in the United States, 1960 to 1975](#)", *Journal of Marriage and the Family*, 43(1): 49-65, 1981.

³ Shoshana Grossbard-Shechtman and Clive W. Granger. "Women's Jobs and Marriage, Baby-Boom versus Baby-Bust," *Population*, 53: 731-52, September 1998 (in French).

⁴ Shoshana Grossbard-Shechtman. "A Consumer Theory with Competitive Markets for Work in Marriage." *Journal of Socio-Economics*, 31(6): 609-645, 2003.

may take the form of an extra squeeze on husbands' earning power and a lower likelihood of labor force participation.

On average, men marry at an older age than women, and in the U.S. the age difference at marriage is about two years (that difference has not changed much over time). Therefore, marriage markets for 25-year-old women, for instance, include large numbers of 27-year-old men. Consider the example of 25-year-old baby-boom women who entered labor and marriage markets in 1975. In that year, the number of 27-year-old men was substantially lower than the number of 25-year-old women (there had been fewer babies born in 1948 than in 1950), causing a marriage squeeze for women. As a result, baby-boom women found themselves in buyers' marriage markets. For baby-boom women willing to supply work-in-marriage, the ensuing reduced bargaining power in marriage may have translated into less power to squeeze money out of their husbands. They went to work outside the home, whether they liked it or not.

As the number of births started dropping after 1960, marriage markets became increasingly favorable to women. When 25-year-old baby-bust women were dating in 1998, for instance, there were plenty of 27-year-old men to choose from: there had been more babies born in 1971 than in 1973. Baby-bust women born in 1973 and willing to supply work-in-marriage thus found themselves in sellers' markets, leading them to obtain relatively high bargaining power in marriage. As a result, I expect their bargaining power in marriage to be higher than that of comparable baby-boom women. Some of these women, who were 32 years old in 2005, and thus very likely to be in couple and have young children, may have used that added bargaining power to obtain their husbands' agreements to become sole provider, allowing them to drop out of the labor force. If this interpretation is correct, then the relatively low labor force participation rates that we observed for young women in 2005 may have been the result of changes in marriage market conditions rather than of increasing difficulties of combining work and family. In fact, using data for the period 1965-2005, Catalina Amuedo-Dorantes and I⁵

⁵ Shoshana Grossbard and Catalina Amuedo-Dorantes. "Marriage Markets and Women's Labor Force Participation," *Review of Economics of the Household* 5:249-278, 2007.

have shown that variation in marriage squeeze explains a substantial fraction of recent changes in U.S. women's labor force participation.

In March 2006 I wrote on the San Diego Union-Tribune's editorial page⁶: "Employers and feminist activists who deplore the current drop-out rate of women need not be overly concerned. The pendulum is about to swing back. The baby-bust ended in 1977, when the echo of the baby-boom started. Consider women born in 1980 dating in 2005. On average, they are most likely to marry men born in 1978. Like their baby-boom mothers, these "echo women" are likely to experience a marriage squeeze for women (not nearly as large in magnitude, however)." I predicted that with these baby-boom echo men and women entering markets for relationships, women born in 1980 willing to supply work-in-marriage would not be as likely to obtain the luxury of dropping out of the labor force and getting a partner taking on the entire breadwinning responsibility. We are now seeing that another one of my predictions is being supported: young women have experienced higher labor force participation rates in 2008 than a few years earlier. For instance, the percentage of women in their late twenties in the labor force increased from 73% in 2004 to 76% in 2008.

A more systematic study, such as the analysis I performed with Catalina Amuedo-Dorantes, is needed to interpret these latest trends. It will be interesting to re-estimate our study with data that include the period 2005-2010, a period expected to be associated with major cyclical fluctuations as well as movements of baby-bust and echo women in and out of the age groups most prone to leave the labor force: young women in their late twenties and thirties.

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⁶ *Why Has Women's Relative Labor Force Participation Been Dropping?*
http://www.signonsandiego.com/uniontrib/20060323/news_lz1e23grossba.html