

Are we nearing "peak women"? ^[1]

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AVAILABILITY

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EXCERPTS

As is well-known, the proportion of women who are active in the paid work force has grown very rapidly since the 1970s, transforming the workplace and society as a whole in the process. The rising participation rate of women was a major economic force over the past three decades in that it kept real family incomes afloat despite stagnant, if not falling, male wages.

The labour force participation rate of women aged 25 to 54 rose above 50% in the early 1970s, grew rapidly and reached 75% by 1990, and then rose more slowly to a peak of 82.5% last year in 2013. Over that same period, the labour force participation rate of men in the same age group fell slightly, from 94.5% to 90.7%.

The eight percentage point gap between the participation rates of so-called "core age" women and men is mainly a function of the continuing division of household labour. The great majority of new mothers take maternity leaves with support from the Employment Insurance program, while very few men take paternity leaves.

About one in three mothers of pre-school children stay at home on a temporary basis to provide care, and women assume most of the burden of care for elderly parents. These differences between women and men in terms of combining paid work and unpaid caring work mean that it is unlikely that the gap in participation rates will ever be eliminated, though how we choose to fund and provide caring services can make a difference.

The participation rate gap between women and men may also reflect the fact that women still earn significantly less than men and are more likely to work in temporary, seasonal and part-time jobs. In other words, part of the gap may reflect the fact that women still have much more trouble finding decent jobs than men.

The option of not working is likely to be most relevant when a woman has a well-paid (usually male) partner. In that light it is interesting to note that the labour force participation rates of core age women is slightly below the national average of 82.5% in the "have" provinces of Alberta (80%) and British Columbia (80%) while the highest participation rates of over 84% are to be found in the Maritime provinces where many women work in seasonal jobs.

It is interesting to speculate whether the labour force participation rate of women might have peaked and, if so, what might be done about it. The question is of some significance given widespread expectations that Canada may face labour shortages in a few years as the large baby-boomer cohort finally retires. (In the here and now, both older men and, especially, women are retiring significantly later than was the case before the recession.)

One straw in the wind might be the fact that, over the last year, between March 2013 and March 2014, the participation rate of core working age women fell from 82.7% to 82.3%. One can only speculate, but this could reflect a soft job market, cuts to jobs held by women in public services or, perhaps, an increase in births as the echo baby boom generation choose to have children.

The evidence is clear that provision of high quality, affordable child care has a significant impact upon the labour force participation rate of women. If one looks at the the participation rate of women age 25 to 44, the age group most likely to have young children, the rate in Quebec was 85.4% in 2013. well above the national average of 82.7% and a low of 79.9% in Alberta.

Quebec, of course, stands out among the provinces in terms of providing affordable, high-quality, not-for-profit child care services.

One might have thought that a government concerned about labour shortages would choose to expand affordable child care choices for families which boost participation rates. Instead, the Harper government seems to favour family income splitting which would significantly reduce the after tax cost of having one partner stay at home full-time to look after children.

Income splitting would provide very little benefit to most middle-class working couples since they need two incomes, and are in the same or adjacent tax brackets. But the savings would be significant - up to \$6,400 per year - for families in the highest tax bracket who choose to adopt the traditional family model with a stay-at-home spouse.

If income splitting for families with children was in place, a female stay-at-home spouse who was considering returning to work would face a marginal tax rate equal to her partner's rate, which would impose a significant disincentive to work.

To conclude, we may well have reached a peak labour force participation rate for women. If we want to increase that rate to deal with future labour shortages, we should support affordable child care as opposed to tax subsidies for affluent families with a stay-at-home spouse.

- reprinted from the Broadbent Blog

Region: Canada ^[3]

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