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Research [in] Brief

What's Keeping Women Out of the Workforce?

Primary issue

Women's labor force participation in the US has been persistently below that of men's for decades. While there are many factors to consider, taxation and the cost of childcare have particularly large and economically meaningful impacts that are likely holding back some women from entering the workforce.

Key findings

The United States treats married taxpayers differently than single taxpayers, often to the disadvantage of women, and it has high costs for childcare. Both create financial disincentives to participate in the labor force.

- Joint taxation results in a higher marginal tax rate—the tax rate paid on the next dollar earned—for the individual in the couple, usually a woman, who earns less. This tax rate depends on his or her spouse's income since both incomes are taxed as a unit. This higher marginal tax rate lowers the secondary earner's effective wage and therefore reduces that person's incentive to work.
- The cost of childcare in the US is high, and while the household as a unit shoulders the cost, it is often the decision of the primary caregiver to work that triggers the need for childcare. Since women are more often the primary caregiver in a household, they are generally the ones whose decisions are directly influenced. If the cost of childcare is too high relative to income, women may leave or refrain from joining the labor force.

The bottom line

The taxation of opposite-sex married couples and the expense of childcare should be subject to cost–benefit analysis that includes the costs of disincentivizing women from working.

Want to find out more? Read "Increasing the (Female) Labor Supply" at **clefed.org/ec202305**.

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