Center for American Progress


# To Fight Inequality, Support Women's Work

By Judith Warner

September 2015

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# Introduction and summary

Early this year, a team of distinguished economists, current and former government ministers, academics, labor leaders, and opinion makers gathered at the Mayflower Hotel in Washington, D.C., to announce an ambitious plan to create "inclusive prosperity"[1] on a transnational scale.[2] The experts—led by former U.S. Secretary of the Treasury Lawrence H. Summers and Britain's then-Shadow Chancellor of the Exchequer Ed Balls—spoke about new investments in infrastructure, raising wages, and more progressive taxation. They also highlighted a time-tested approach that is too often omitted from mainstream economic debate: maximizing the earnings power of women.

The Scandinavian nations have largely managed to avoid the "toxic cocktail" of "growing inequality" that is now poisoning social and economic life in much of Europe and the United States, said Pär Nuder, Sweden's former minister of finance. A key reason for this success, he said, is that "we have, contrary to many other countries in Europe and elsewhere, mobilized the whole work force. Not only the male part but also women."[3]

Nuder conveyed a truth that has been proven time and again in studies around the globe: Women's employment is key not only to a nation's economic growth but also as a powerful countervailing force to the contemporary scourge of income inequality.

Since the 1980s, household income inequality has increased in nearly all advanced industrialized countries.[4] The rate and extent of that increase, however, has varied among nations due to a variety of social, economic, and political factors. Among the most important of these is women's work, which is supported in many countries through generous paid leave, child care, and flexible scheduling policies. A 2013 European Commission policy brief stated this categorically: "It has been shown that 'women-friendly' reconciliation policies play a major role in facilitating work-life balance for female second earners in households, thus increasing household income and countering inequality."[5]

The dual awareness that women's work serves as an income equalizer among households and that family-friendly policies, by extension, are essential tools in fighting income inequality has been slow to take root on this side of the Atlantic. In recent years, it instead has been fashionable in the United States to point to studies showing that women's work has actually worsened income inequality. That conversation has focused on "assortative mating"—the practice of people marrying others like them, in this case, others with a similar education level—to argue that the widespread movement of women into the workplace since the 1970s has brought high-earning men and women together into even more high-earning households in an entirely new way.[6]

This report will argue that this line of reasoning is misleading and—worse—pernicious:[7] It is the latest in a set of destructive attitudes that have kept the United States from moving forward with the rest of the industrialized world in adopting policies that support women's employment.

It has previously been established that women's earnings have played a key role in bolstering the health of the U.S. economy. Last year, the White House Council of Economic Advisers, or CEA, analyzed decades of data from the Bureau of Labor Statistics' Current Population Survey and reported that nearly all of the rise in U.S. family income between 1970 and 2013 was due to women's increased earnings. "In fact, if women's participation had not increased since 1970," CEA wrote, "median family income would be about $13,000 less than what it is today."[8]

Women's earnings have also played a central role in tempering the growth of inequality. A new analysis from the Center for American Progress, carried out by Policy Analyst Brendan Duke, shows that from 1963 to 2013, inequality in the United States—measured by the distribution of income among the bottom 95 percent of married couples—rose 24.9 percent. Women's earnings in that period rose fivefold. That increase, Duke demonstrates, had a significant effect on counteracting the rise of inequality; indeed, he shows that if women's earnings had not changed, inequality would have increased 38 percent. In other words, inequality in the United States would have grown more than 50 percent faster if women's earnings had not increased between 1963 and 2013.[9]

Economists Maria Cancian and Deborah Reed previously measured the impact of wives' earnings on income inequality by developing a set of counterfactual scenarios that could be compared to observed findings. Using data from 1979 to 1989, they compared data on married couples' incomes to a series of alternative scenarios in order to isolate the effect of wives' increased labor force participation and earnings. They concluded that wives' earnings reduced income inequality because the income distribution would have been more unequal in their absence.[10] Economist Susan Harkness conducted similar research, using data from 2004, that compared counterfactuals in which no women worked and all women worked. Her findings reinforced the conclusions drawn in previous research, finding that if no women worked for pay earnings, inequality among coupled households would be 63 percent higher, while if all women worked, it would be 22 percent lower.

Brendan Duke's analysis[11] builds upon this previous body of research by expanding the time period studied to 1963 to 2013 and by tweaking the counterfactual scenario with which the observed data are compared. In his analysis, the observed data on incomes of married couples are compared with an alternate scenario in which women's earnings inequality and inflation-adjusted earnings remained unchanged from the early 1960s. In doing so, he found that the wives' earnings helped reduce income inequality growth because inequality would have grown roughly 50 percent faster without their increasing contributions to their families' income.[12]

The positive effect of women's increasing earnings contribution on mitigating the growth of income inequality, though considerable, could have been larger still if American women's workforce participation in recent decades had increased on a level consistent with that of other advanced industrialized nations. Making that a reality, however, would have required a very different policy environment.

The United States is an outlier among industrialized nations in its lack of work-family policy. It is the only industrialized nation that does not guarantee paid time off for working mothers to care for a new child,[13] and it is one of the only high-income nations that does not guarantee workers paid sick leave.[14] Access to policies such as paid family leave, paid sick days, and family-friendly work scheduling has long been a perk awarded only to highly valued employees; this has predictably resulted in a sharp divide between those who have access to such policies and those who do not, which largely correlates with income level.[15]

The United States' unique lack of work-family policies puts a singular burden on women, who, despite progress in men's participation in domestic tasks, still bear the lion's share of responsibility for unpaid work at home. Women often lack time off to care for a newborn, the ability to pay for high-quality child care, and access to the kind of predictable and family-friendly work scheduling that permits attendance at parent-teacher conferences and trips to the pediatrician. This results in a troubling number of American women pushed into lower-paying types of jobs or out of the workforce because of their family care needs. This is particularly true for low-income workers, who are the least likely to have access to work-family reconciliation policies.[16] In the same period that U.S. income inequality has skyrocketed, women's labor force participation rates have stalled—a phenomenon that Cornell University economists Francine D. Blau and Lawrence M. Kahn have attributed in part to the United States' lack of family-friendly policies.[17]

American workers' unequal access to work-family supports means that American women have an unequal shot at staying employed. Parents do not have anything close to an equal opportunity to do their best for their kids, and American children have a grossly unequal chance of getting the kind of attention, care, and financial stability they need. Inequality is reproduced multigenerationally.

Inequality has many causes and requires multifaceted policy responses. While analyzing these causes and articulating policy responses lead into highly contested political territory, there is one area where American voters share a great deal of common ground: their need and desire for measures that help families, and women in particular, reconcile their work and family obligations. In early 2014, a national survey by American Women, the National Partnership for Women & Families, and the Rockefeller Family Fund found that 63 percent of voters supported a national paid family and medical leave insurance plan.[18] More recently, a January 2015 poll by Lake Research Partners for the Make It Work Campaign found that 88 percent of voters were in favor of ensuring that all workers earn paid sick days to care for themselves or family members; 75 percent supported making quality and affordable child care options available nationally.[19]

The urgency of voter demand has translated into bipartisan talk about the need to acknowledge and support working families. This report will argue that it's time to merge that talk into the ongoing national conversation about the corrosive effects of intergenerational inequality—the "dangerous and growing" trend that President Barack Obama has labeled the "defining challenge of our time."[20]

This report will argue that work-family policies—including paid family leave, paid sick days, access to affordable child care, laws that both permit and stabilize nontraditional work schedules, and tax policies that do not disadvantage dual-earner couples—can help create a basic floor of income stability for all American families. Therefore, they should be viewed as some of the most promising and underused policy tools for fighting inequality, both in the present and in the future.

This report will illustrate that work-family policies keep women in the workforce—a necessary condition for their families' income stability and long-term economic security. To that end, it calls for the following specific policies:

- Dramatically increased funding for early childhood development programs, high-quality child care, and universal pre-K programs

- A generous paid family and medical leave program for all American workers

- Earned paid sick days for all

- Improvements in the tax code to remove penalties on dual-income families

- Measures that promote the adoption of flexible schedules that benefit employers and employees alike, as well as measures that protect hourly workers from abusive, unpredictable scheduling practices

"Inequality does not follow a deterministic process," the economists Thomas Piketty and Emmanuel Saez wrote in 2014. "There are powerful forces pushing alternately in the direction of rising or shrinking inequality. Which one dominates depends on the institutions and policies that societies choose to adopt."[21] Public opinion has reached a tipping point in favor of policies that allow families to work, care for one another, and thrive.

It is time for public policy to catch up.

# The problem of inequality

Since the 1980s, income inequality has risen in almost all advanced industrialized nations,[22] as illustrated in Figure 1.

It has, however, become a particularly marked problem in the United States, where after three decades of steady and widely shared economic growth in the wake of World War II,[23] income inequality skyrocketed.[24] (see Figure 2)

In 2011, the Congressional Budget Office, or CBO, looked at real after-tax household income for American households between 1979 and 2007 and found that incomes for the top 1 percent of earners had grown by 275 percent. In that same period, the incomes of those between the 21st and 80th percentiles—the middle 60 percent of the American population—had grown by only 37 percent. Income growth for the bottom 20 percent of earners was only 18 percent—a number bolstered by the fact that the CBO included income transfers from safety net programs such as Social Security, veterans' benefits, Temporary Assistance for Needy Families, or TANF, and workers' compensation.[25] From 2010 to 2013, as the nation recovered from the 2008 financial meltdown, only the top 10 percent of earners saw their before-tax incomes increase.[26] The net result was that by 2013, the United States had earned the unadmirable distinction of being the most unequal high-income country on earth.[27]

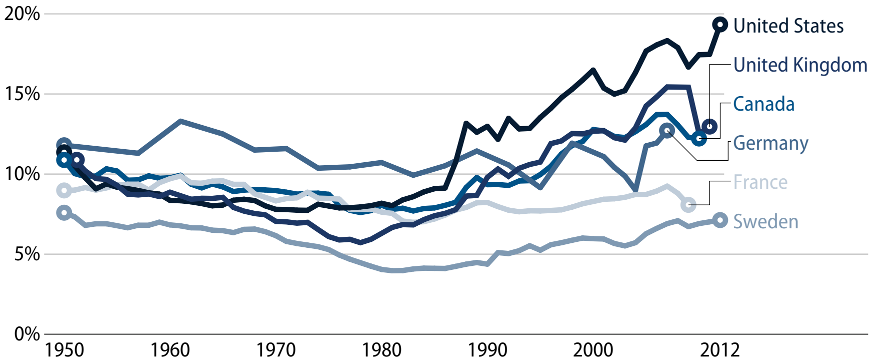
The sharp rise of inequality in the United States has many causes, including the loss of American jobs to cheaper labor markets overseas, the decline in the buying power of the minimum wage, a steady decrease in union membership, and the rise of labor-minimizing new technologies. Shifts in policy priorities and social values have enabled astronomically high pay for top executives, lowered tax rates for the wealthiest Americans, and led to the establishment of a "winner-take-all society."[28]

One factor that has not caused increased inequality in the United States, however—contrary to popular belief—is women's labor force participation.

FIGURE 1

## The top 1 percent's share of income has grown in select advanced economies since the 1980s

Percent of national income received by the top 1 percent, 1950–2012



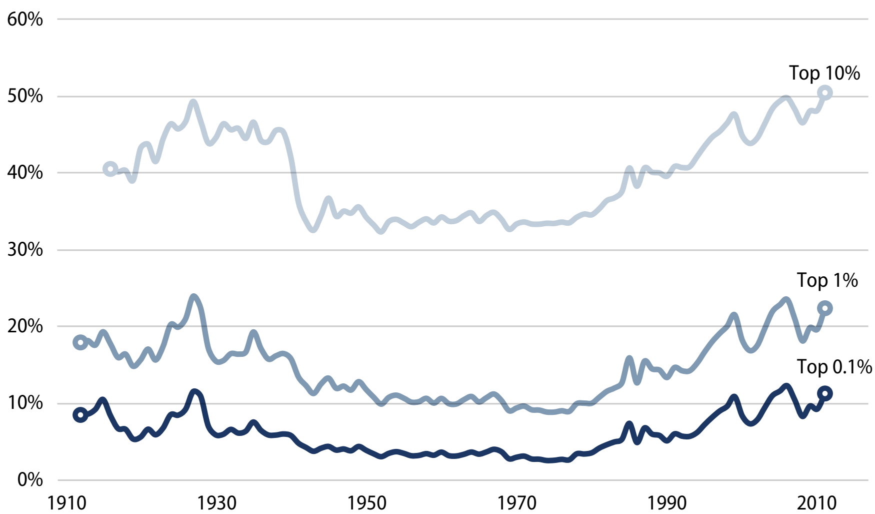

Note: 1 percent share excludes capital gains for every country except Germany, which does include capital gains. Linear interpolation is used where gaps in data exist.

Source: Facundo Alvaredo and others, "The World Top Incomes Database," available at http://topincomes.g-mond.parisschoolofeconomics.eu (last accessed December 2014).

FIGURE 2

## The increasing share of income going to the top of the U.S. income ladder

Share of national income




Source: Facundo Alvaredo and others, "The World Top Incomes Database," available at http://topincomes.g-mond.parisschoolofeconomics.eu/ (last accessed July 2014). Cited in Heather Boushey and Ed Paisley, eds., "Building a Strong Foundation for the U.S. Economy" (Washington: Washington Center for Equitable Growth, 2014), available at http://d3b0lhre2rgreb.cloudfront.net/ms-content/uploads/sites/10/2014/09/2014-equitablegrowth-conf-rep1.pdf.

## How women's employment fights inequality

Two-thirds of mothers in the United States are breadwinners—the sole or primary source of income for their families—or co-breadwinners—meaning they bring home 25 percent to 49 percent of household earnings.[29] Given this, it is clear that women's work is an essential part of family economic stability and that, by extension, society ought to support women's employment. This understanding is all but ubiquitous in other advanced industrialized nations, where a bevy of policies exist to allow work-family reconciliation. A wide body of research literature has shown that these policies—particularly access to affordable child care—play a key role in keeping women in the workforce throughout the various stages of their lives.[30]

In the United States, however, women's work—particularly mother's work—has never been accepted as an unqualified social good. Instead, it has served as a chronic source of social anxiety, expressing itself in fears about the well-being of the children of working mothers and, more recently, in worries about the well-being of men. In the latest iteration of this social anxiety writ large, the earnings gains of highly educated, higher-earning women—who tend to marry other highly educated and even higher-earning men—have been tagged as a prime cause of the rise in household inequality since the 1970s.[31]

The headlines supporting this argument have been eye-catching: "Did Women's Lib Cause Rising Income Inequality?" and "How When Harry Met Sally Explains Inequality."[32] Yet, the assortative mating theory of income inequality has not held up to hard scrutiny. A number of researchers, using large data sets from both the United States and overseas, have demonstrated that over the past several decades, women's employment has acted as a counterweight to the forces that have caused inequality to rise. In October 2014, Janet Gornick, director of the Luxembourg Income Study Center at the City University of New York Graduate Center, spelled this out in the clearest possible terms when she addressed the U.N. General Assembly: "Women's contributions to household income mitigate income inequality across households."[33] A book-length May 2015 report from the Organisation for Economic Co-operation and Development, or OECD, agreed, noting that while the increase in households of women in "high-skilled" jobs had caused income inequality to rise "somewhat" over the past few decades, the "overall" effect of women's increased labor force participation had been equalizing. "Having more women in paid (full-time) work results in lower household income inequality, but policies to increase the earnings potential of lower-earning women are needed to further strengthen this effect," the report stated.[34]

A convincing body of recent scholarship that looked at the relationship between women's work and household inequality shows how and why this is so:

- **Income inequality among households has been driven mainly by male, not female, wages.**[35] In 2014, the Pew Charitable Trusts studied the economic mobility of two generations of American families from the 1960s to the late 2000s. It found that men's wages were nearly twice as important as those of their female mates in increasing family earnings in that period.[36] Work by Susan Harkness, an economist at the University of Bath, offers one explanation for this:[37] Looking at Luxembourg Income Survey data for all U.S. heterosexual couples in 2004, she found that women's earnings share was only 21 percent.[38]

- **Women's earnings contributions have improved the fortunes of low-income households far more than they have made the rich richer.** From 1979 to 2012, the share of earnings of women below the middle class greatly overshadowed that of women above the middle class.[39] In fact, in a 2014 Center for American Progress report, economists Heather Boushey, Eileen Appelbaum, and John Schmitt showed that middle-class households would have "substantially lower" earnings today if women's labor force participation had not increased to the extent that it did between 1979 and 2012.[40]

- **When more women work, inequality among women decreases.** In 2013, a team of researchers used Luxembourg Income Study data to examine more than 570,000 coupled OECD households between 1981 and 2005. They demonstrated that—although women's wages rose and assortative mating did take place—inequality among women decreased. The reason: As more and more women found their place in the workforce, fewer women had zero earnings.[41] The inequality-neutralizing effects of women's increased employment were found to be particularly robust in countries with strong work-family reconciliation policies.[42]

- **Women's earnings have also played a key role in promoting intergenerational social mobility, particularly for low- and middle-income families.** The Pew Charitable Trusts' 2014 study of economic mobility across generations compared income and earnings from two generations of parents and children. It captured their income and earnings in the years 1967 through 1971 and 2000 through 2008 and isolated the effect of women's increased hours of work on intergenerational household economic mobility. It found that working mothers a generation ago put in only about 69 percent of the hours, on average, that their working daughters clock today—a number that drops to 40 percent if you compare *all* mothers, working and not working combined, in the then-and-now comparison. The adult daughters' increased work hours were associated with increased earnings for daughters raised in middle-class families, as well as upward mobility to the middle class and above for those raised at the bottom of the income distribution. However, the degree of "stickiness at the top"—the tendency of high-income people to remain high income—was not affected by women's increased working hours.[43]

## Unequal access to work-family policies means an unequal chance to work

American ambivalence about working motherhood—made concrete in the nation's unique lack of public policies to support working families—has had unfortunate effects on women's employment. In the two decades from 1990 to 2010, the United States fell from having the sixth-highest rate of female labor force participation among 22 OECD countries to the 17th-highest rate.[44] After decades of steady decline, the percentage of nonworking mothers in the United States rose 6 percentage points from 1999 to 2012,[45] despite the fact that the percentage of mothers of children under age 18 who said that they would ideally like to work full or part time increased by 5 percentage points during the period from 1997 to 2012.[46]

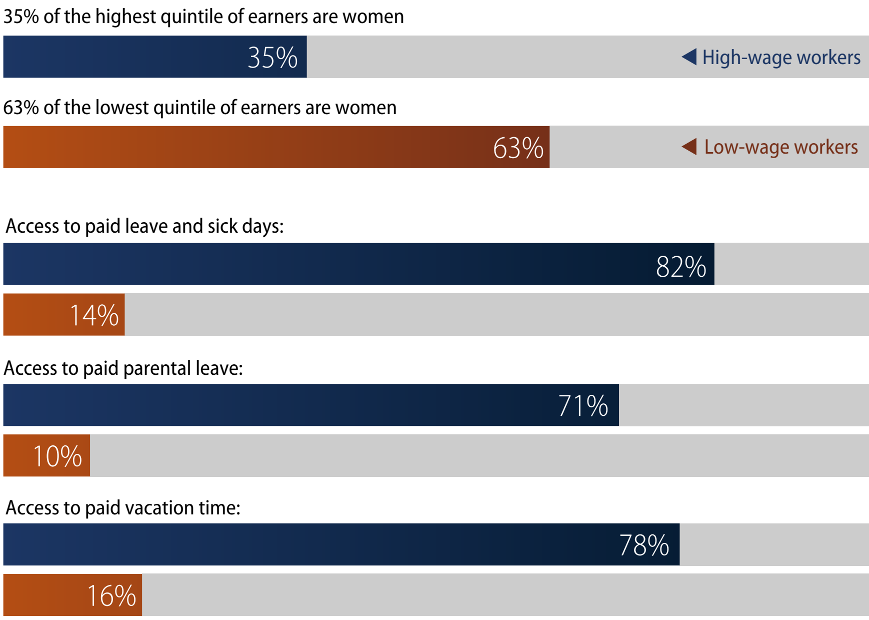
Over the past decade, considerable attention has been paid to how upper-middle-class, high-achieving women "opt out" of their careers when they become mothers.[47] Women with high earning power, however, are those most likely to work for pay in the United States,[48] and low-income women are the ones most frequently forced out of work when they have caregiving responsibilities.[49] One key reason for this is that there is a very wide gap between low- and high-income women's abilities to access work-family supports via their employers.

In 2011, the U.S. Census Bureau published a report that found that 66 percent of women with bachelor's degrees or higher levels of education were able to access some form of paid leave when they gave birth, as opposed to only 18 percent of women with less than a high school education. The report also found that half of the women with less than a high school education quit their jobs when they became mothers, compared with only 13 percent of women with a bachelor's degree or more. Interestingly, the report found that in the early 1960s, access to paid maternity leave did not differ in a statistically significant way for women of different educational levels. College-educated women began to pull ahead in access to paid leave in the 1970s, and by the mid-1980s, the gap in access between the most and least educated women had grown dramatically.[50]

The chart below shows more broadly the ways that access to work-family policies differs by income among American women.

FIGURE 3

**With unequal access to work-family policies, women of different income groups have an unequal shot at staying employed**




Source: CAP analysis of data from Bureau of Labor Statistics, *American Time Use Survey* (U.S. Department of Commerce, 2011), available at http://www.bls.gov/tus/datafiles_2011.htm. In this survey, "bottom quintile" represents part- and full-time workers whose self-reported earnings are less than $320 per week, and "top quintile" represents part- and full-time workers whose self-reported earnings are more than $1,222 per week.

The inequality of access to supports as basic as paid leave, paid sick time, and family-friendly scheduling means that low-income workers—those who are already struggling the most to make ends meet—are hit disproportionately with the additional burden of job insecurity if they have to care for a sick child, deal with a child care issue, or attend a school conference. Income inequality based on education, job status, and pay—not to mention gender and race—is thus compounded by an unequal ability to do what it takes to stay employed.

Our national unwillingness to develop and implement policies that would permit women to better reconcile work and family and to stay employed throughout their working-age years may have exacerbated the growth of household inequality over the past few decades. Although it is difficult to quantify the exact degree to which women's employment mitigates income inequality, economist Susan Harkness has taken a stab at the issue through the use of counterfactuals. Using examples in which no women work—and female earnings are factored in at zero—and, alternately, in which all women work—with wages for real-life nonworking women estimated based on age, education, and family data—she found that if all women in the United States stopped working for pay, earnings inequality among heterosexual working-age coupled households would increase by 63 percent. If all women worked, total earnings inequality among coupled households would fall by 22 percent.[51] These findings align with the research conducted by Brendan Duke. The exact figures differ due to Duke's use of different counterfactuals and data from different years, but the findings and conclusions are qualitatively similar.

These findings make sense. After all, when women cannot work, the whole family pays—for a long time. Earnings interruptions are costly and can compound over time. In 2012, a report prepared for the U.S. Department of Labor by Abt Associates found that among women who received only partial pay or who took unpaid family and medical leave, 37 percent used savings earmarked for another purpose, 30 percent borrowed money, 36.5 percent put off paying bills, and 15 percent turned to public assistance.[52]

Jonathan Morduch, a professor at the Robert F. Wagner Graduate School of Public Service at New York University, has called income variability a "hidden inequality," as it is not necessarily captured by most measures of household earnings.[53] This kind of severe instability is a particular problem for women, who are still far more likely than men to reduce their work hours or leave paid employment entirely to provide care for a new baby or an ill or aging family member. A 2011 MetLife study that put hard numbers to the costs of caregiving calculated that women who leave the labor force early and/or reduce their hours of work because of caregiving responsibilities lose more than $324,000 in lifetime wages and Social Security benefits.[54]

According to a 2014 Brandeis University Institute on Assets and Social Policy report, hitting the sorts of "financial potholes" that arise when a breadwinner or co-breadwinner has to leave work to care for family can "alter life trajectories" for every member of a household, affecting not just short-term earnings but also retirement savings and the ability to pay for college. High-income and low-income Americans are worlds apart when it comes to their vulnerability to these sorts of income shocks.[55]

## The case for work-family policies

The almost total lack of access to meaningful work-family supports for all but the most fortunate workers both reflects inequality in the United States and reinforces it by continually undermining the earning and wealth-building abilities of vulnerable families.

There is solid evidence to show that adopting policies such as affordable child care, paid family leave, paid sick days, and tax policies that do not penalize second earners in a household could set American families on a different path.

### Affordable child care

Access to affordable child care has long been proven to be the single most important factor in promoting women's full workforce participation:

- Cross-national studies have shown that when child care is publicly provided, work hours are similar for men and women in dual-earner families.[56]
- Research on workers in the United States has shown that single mothers of young children were 40 percent more likely to still be employed after two years if they received help from the government, an employer, another parent, or another person in paying for child care.[57]

Access to affordable child care has also been shown to minimize the motherhood pay penalty—the gap between the earnings of mothers and nonmothers—when all other variables are controlled for:

- In a new cross-national analysis, sociologists Michelle Budig, Joya Misra, and Irene Böckmann of the University of Massachusetts, Amherst, found that publicly funded child care for children under age 3 was significantly associated with smaller motherhood pay penalties per child.[58]

## Paid family and medical leave

Paid family leave—when it provides sufficient wage replacement and is long enough to be meaningful—also has proven value in keeping women in the workforce, helping to equalize the economic well-being of families:

- A 2012 study from the Center for Women and Work at Rutgers University found that women in the United States who were able to take paid leave and return to work were 39 percent less likely to receive public assistance and 40 percent less likely to receive food stamps in the year after a child's birth than were those who were not able to take paid leave.[59]

- In their 2003 book *The Two-Income Trap*, Elizabeth Warren and Amelia Warren Tyagi found that 25 percent of dual-earner couples and 13 percent of single-parent families who filed for bankruptcy did so due to missing two or more weeks of work when they were sick or caring for an ill family member.[60]

- Surveys of California employees and employers in 2009 and 2010 showed that workers with low-quality jobs—jobs that paid less than $20 per hour and lacked employer-provided health insurance—who used family and medical leave insurance while on leave were almost 10 percent more likely to return to their pre-leave employers than were those with low-quality jobs who did not use family and medical leave insurance.[61]

- International studies have shown that the gender gap in employment rates is lower in countries that provide paid maternity leave and paid parental leave,[62] as both boost women's labor force attachment.[63]

- Research in the United States has shown that women who use paid leave are much more likely to be working nine months to a year after a baby's birth than are women who do not take any leave.[64]

- The International Monetary Fund, or IMF, has noted that paid family leave policies that incentivize fathers to take leave—such as some European countries' so-called use-it-or-lose-it policies, which reduce the total paid time off available to a couple if the father does not use his share—have the potential not only to boost women's labor force participation rates but also to change the underlying social norms that often keep women at home.[65]

Paid family leave also protects women from the income losses associated with the motherhood pay penalty. This boosts family income and paves the way toward higher future earnings and greater retirement security:

- In a 1998 study of maternity leave policies in Great Britain and the United States before the passage of the Family and Medical Leave Act of 1993, Columbia University Professor Jane Waldfogel found that the motherhood pay gap was mostly eliminated for mothers who had access to unpaid or paid job-protected maternity leave.[66]

- Similarly, the 2012 study by Rutgers University's Center for Women and Work found that working mothers who took paid family and medical leave for 30 or more days for the birth of their child were 54 percent more likely to report wage increases in the year following their child's birth than were mothers who did not take leave.[67]

- Most recently, research by the University of Massachusetts' Budig found that all forms of paid leave—maternity, paternity, and parental leave—correlate with a lower motherhood pay penalty internationally. There was one caveat to that finding, however: Both the absence of such leaves and the availability of paid leaves of very long durations for women—more than two years—led to a higher motherhood pay penalty, while job-protected paid leaves of moderate length—6 months to 12 months—were associated with smaller motherhood pay penalties.[68]

## Paid sick days

Paid sick days also provide an income-stabilizing effect for families by making sure that workers will not lose their jobs if they or their loved ones become ill:

- In 2010, a Public Welfare Foundation survey found that nearly one-quarter of the American public had either lost a job or been threatened by their employer with job loss for taking sick time.[69]

- The ability to earn paid sick days has been shown to decrease the chance that workers will lose or leave their jobs by at least 25 percent, with the strongest effect seen among mothers and among workers who lacked paid vacation time—in other words, those in the worst-quality jobs.[70]

## Tax reform

Tax policies that penalize second earners[71]—by, for example, increasing total household income to the point where a U.S. family cannot receive the Earned Income Tax Credit, or EITC, or by pushing total household income into a higher tax bracket—can decrease women's labor force participation. International studies show that women's labor force participation rates are more sensitive to such tax policies than are male participation rates.[72] This finding has led the IMF to suggest that reducing the tax burden for second earners—usually women—would increase the level of women's labor market participation.[73] The IMF has singled out the United States as one of a handful of countries with the potential to significantly lower the current tax load on second earners.[74] An example of the benefits of such a policy is provided by Canada, where a decrease in the level of taxation of second earners led to a significant increase in women's labor force participation from 1995 to 2001.[75]

## Flexible scheduling practices

Policies that encourage and improve flexible work arrangements also can help stabilize family income by increasing women's labor force participation. Policies that promote part-time work in particular have proven to play an essential role in keeping women in the workforce.[76] Not all part-time work is equally helpful, however, in boosting family economic security. A 2004 OECD report warned that "part-time jobs characterised by poor wages and benefits, asocial or excessively flexible hours, low job tenure, absence of training, or few prospects of promotion tend to marginalise women in the labour market."[77] Experts have credited labor law changes that equalized the pay and benefits of part-time and full-time workers, combined with the availability of paid parental leave, with a striking increase—from 35 percent in 1980 to about 80 percent in 2008—in women's labor force participation rates in the Netherlands.[78]

# Policy recommendations

The American corporate marketplace has until now largely failed to bring family-friendly employment supports to the workers who need them the most. The only way to guarantee greater equality among families—through a more equal ability of women to financially support and care for their families—is by implementing progressive public policies.

## Making high-quality child care and early childhood education accessible and affordable

The current U.S. approach to providing families with child care support—the Child Care and Development Block Grant, or CCDBG, voucher system for low-income families and the Child and Dependent Care Tax Credit, or CDCTC, for middle class families—offers aid that is nowhere near sufficient to meet the needs of working families. CCDBG must be better funded and targeted to fund high-quality, affordable child care programs.[79] The CDCTC, which reimburses families for a percentage of their total child care costs, should be refundable so that low-income families who do not pay taxes can make use of it. The total amount of the credit should be increased so that low-income and middle-class families can more realistically address the true cost of high-quality child care.

Working families can be further supported and child outcomes can be improved by bringing the United States in line with other advanced economies and implementing universal access to pre-K for all 3- and 4-year-olds.

## A national system of paid family leave

Fully supporting today's diverse workforce requires the development of a paid family leave insurance system[80] that provides wage replacement to workers who need to take time away from their jobs in order to care for a new child, attend to the needs of a seriously ill family member, or recover from their own serious medical condition.

In order to be truly effective and not further exacerbate existing inequality, a paid family and medical leave program must have: reasonable eligibility requirements to ensure universal coverage for all workers; gender neutral leave of equal available length for both men and women; comprehensive qualifying leave conditions that reflect the diversity of modern families and care responsibilities; a formula for calculating wage replacement that allows qualifying leave-takers to meet their basic needs; and protection against retaliation and discrimination to ensure that workers are able to access leave when they need it.

### A national paid sick leave law

Despite a flurry of recent activity and growing public and political support, only three states and 17 cities currently guarantee workers the ability to earn paid time off for illness.[81] This means that more than 40 million workers in the United States lack access to even a single paid sick day.[82] The fix is easy: national legislation that sets a baseline, uniform standard of a minimum number of hours of paid leave that employees can earn and use to meet their own and their family members' medical needs.

## Tax policies that encourage women's labor force participation

As currently written, the tax code can discourage women in two-income families with caregiving responsibilities from working. The EITC, a fully refundable tax credit available to low-income working families, has been proven to encourage women's employment because it is tied to labor force participation.[83] Widening access to the EITC would help bolster this effect and could be achieved by making permanent the improvements included in the American Recovery and Reinvestment Act. Other meaningful forms of tax relief for working parents should be explored, including options to reduce the marriage penalty for low-income families where both partners work outside the home.

## Legislation that will help workers gain a greater degree of control over their schedules

Following the example of the United Kingdom, Australia, and New Zealand, San Francisco and Vermont recently became the first U.S. city and state, respectively, to implement right-to-request legislation,[84] which allows workers the right to ask their employer for more flexible scheduling. These policies require employers to seriously consider all requests and respond to them in writing, justifying any denials.[85] Any future legislation should contain strong provisions to combat noncompliance and defend workers against discrimination and retaliation.

While right-to-request laws are important, they do not necessarily address the issues frequently experienced by hourly and low-income workers—namely, practices such as "on-call" or "just in time"[86] scheduling that make it nearly impossible for workers to predict how many hours they will work in a week, or when those shifts will occur. In December 2014, the city of San Francisco, recognizing the importance of addressing these abusive practices, adopted the Retail Workers' Bill of Rights, which went into effect in early July 2015. Along with other protections, this package of policies will guarantee that employers must post schedules at least two weeks in advance. If schedules are changed with less than one week's notice, employees will receive 1 hour of pay and will receive 2 hours to 4 hours of pay if changes are made to their schedule within 24 hours.[87]

# Conclusion

Income inequality—driven by the stratospheric climb in earnings of those at the top and the flat-lining of wages for those at the bottom—is not just bad for the individual families who have not managed to become winners in American society. It's also bad for the economy and for civic society.

While rising inequality has not yet affected intergenerational income mobility in a measurable way, it has certainly diminished the relative long-term prospects of children born into households further down the income scale in terms of health, education outcomes, and social capital.[88] As the Massachusetts Institute of Technology economist David Autor has noted, "the fact that mobility has stayed constant while inequality has risen means that the lifetime relative disadvantage of children born to low- versus high-income families has increased substantially; concretely, the rungs of the economic ladder have pulled farther apart but the chance of ascending the ladder has not improved."[89] This has the potential to weaken support for democratic values and to erode belief in the American dream.

While there is striking public support for work-family policies such as paid family leave, paid sick days, and access to affordable child care and early childhood education, there has yet to be as deep a sense of urgency surrounding these issues as there currently is around the problem of income inequality. By demonstrating the potential that these measures have to equalize American families' chances at a fair shot in life, this report aspires to move them from the silo of women's issues to the center of the nation's most closely watched policy debates.

# Methodology

Using Cancian and Reed's approach, we can decompose income inequality among married couples with the following equation:

$$C^2 = C_w^2\, s_w^2 + C_h^2\, s_h^2 + C_o^2\, s_o^2 + 2\rho_{wh} s_w s_h\, C_w\, C_h + 2\rho_{wo}\, s_w\, s_o\, C_w\, C_o + 2\rho_{ho} s_h s_o\, C_h\, C_o$$

Where $w$ indexes variables that correspond to married women, $h$ indexes variables that correspond to married men, and $o$ indexes variables that correspond to non-earnings cash income, meaning everything from Social Security to dividends.

Variables $C$ represent inequality as measured by the coefficient of variation, which is the ratio between a standard deviation and a mean. Variables $s$ represent the share of all family income that a type of income makes up (i.e., $s_w$ equals $(\mu_w)/(\mu_w + \mu_h + \mu_o)$). Finally, variables $\rho$ represent the correlation between two types of income. Notably, $\rho_{wh}$ measures assortative mating.

Cancian and Reed provided a method for calculating how married women's earnings contributed to income inequality between two years by constructing a counterfactual where married women's earnings did not change. Therefore, we hold $C_w$ and $\mu_w$ at their 1963 levels. When we assign the entire growth of assortative mating to changes in married women's earnings, we also hold $\rho_{wo}$ and $\rho_{wh}$ at their 1963 levels.

Our data come from extracts of the March Current Population Survey from the U.S. Census Bureau, available from the Integrated Public Use Microdata Series from the University of Minnesota. We use each extract between 1964 and 2014, which correspond to data representing the years between 1963 and 2013. Like Cancian and Reed, our sample consists of married couples where both the husbands and wives are between the ages of 25 and 64.

The U.S. Census Bureau uses a procedure known as "top-coding" in which it does not report the actual earnings of persons with very high incomes in order to preserve anonymity. Because top-coding procedures have been inconsistent, we eliminated married couples in the top 5 percent of the earnings distribution to prevent changes in top-coding from influencing the evolution of the earnings distribution. Thus, our analysis only explains inequality among the bottom 95 percent of the income distribution.

We attempted to replicate Cancian and Reed's findings, which did include the top 5 percent. Cancian and Reed showed a 10.9 percent increase in inequality between 1979 and 1989 compared to a counterfactual of 14 percent without changes in married women's earnings. Therefore, inequality would have grown 27.9 percent faster without changes in married women's earnings. Our data show a 12.1 percent increase in inequality compared to counterfactual growth of 15.7 percent, meaning inequality would have grown 29.6 percent faster without changes in women's earnings. The likely cause of this small difference was the way Cancian and Reed adjusted their data for top-coding. Nevertheless, our replication results are qualitatively similar.

## About the author

**Judith Warner** is a Senior Fellow at the Center for American Progress, a contributing writer to *The New York Times Magazine*, and a best-selling author whose books include *Perfect Madness: Motherhood in the Age of Anxiety* and *We've Got Issues: Children and Parents in the Age of Medication.*

## Acknowledgments

The author wishes to thank Brendan Duke for his nimble and rigorous quantitative work; Marc Jarsulic for his critical input and support throughout this project; Emily Baxter, Danielle Corley, and Kaitlin Holmes for their careful research assistance; and Carmel Martin, Sarah Jane Glynn, Katie Hamm, and Alex Thornton for their thoughtful reading and advice.

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