

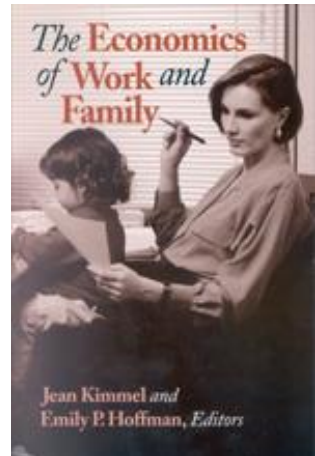
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## Fertility, Public Policy, and Mothers in the Labor Force

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# 4

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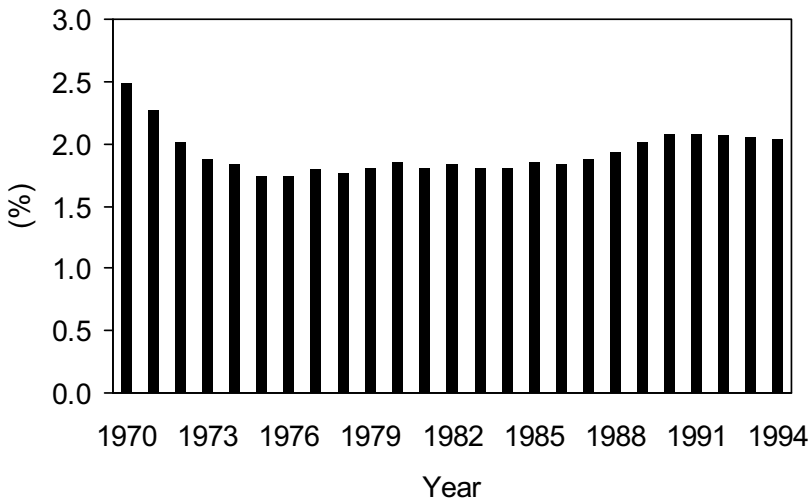
### **INTRODUCTION**

Few policy debates draw more attention or more heated discussion than those concerning population policy. Many countries have struggled to influence their birth rates. Countries such as Germany, France, and Sweden have instigated a variety of policies to deal with low birth rates, while other countries such as India, Singapore, and China have had varying degrees of success with policies to reduce their birth rates. The United States has also experienced below-replacement fertility in recent decades, but it has not implemented explicit pronatalist policies as many other industrialized countries have done. Most U.S. population policy is centered on controlling immigration. Nevertheless, recent research on the economics of fertility has demonstrated that the United States does indeed have policies that have an impact, whether intended or not, on the birth rate. For example, recent research has determined that tax exemptions for children, welfare benefits, family planning funded by Medicaid benefits, and company-provided maternity leave all exert statistically significant effects on fertility. Interestingly, the policies that lower the cost of raising a child (such as taxes and maternity leave), were not specifically designed to affect fertility, whereas the policies that have an antinatalist effect (such as certain provisions related to welfare reform and Medicaid-funded family planning) were in fact designed to lower birth rates among specific subgroups of the population.

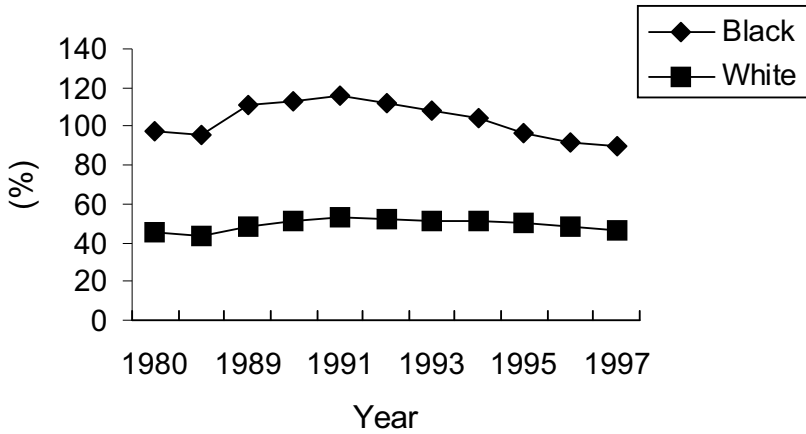
At the same time that some of these policies have been enacted, expanded, and/or modified, the U.S. total fertility rate has remained remarkably constant and hovers just below replacement (Figure 1).<sup>1</sup> The constant overall total fertility rate does mask the fact that the teenage birth rate in the United States is quite high and has only recently shown signs of declining (Figure 2).<sup>2</sup> Although the overall birth rate in the United States has remained fairly constant over the past two decades, during this time period there has been tremendous growth in the labor force participation of women, particularly women with young children (Figure 3). As of 1994, the labor force participation rate of married women with preschool-aged children was virtually identical to that of married women with older children (Hotz, Klerman, and Willis, 1997). This increase in the labor force participation rate of married women with children has generated much discussion as to how government and business can and/or should ease the dual burden of work and family that falls primarily on women.

In this chapter I explore two related areas of research. The first is the effect of public policies on the birth rate in the United States. I focus on the fertility effects of taxes, welfare, Medicaid, and maternity leave. Because these policies have the potential to influence birth rates, and because economists view fertility and labor force participa-

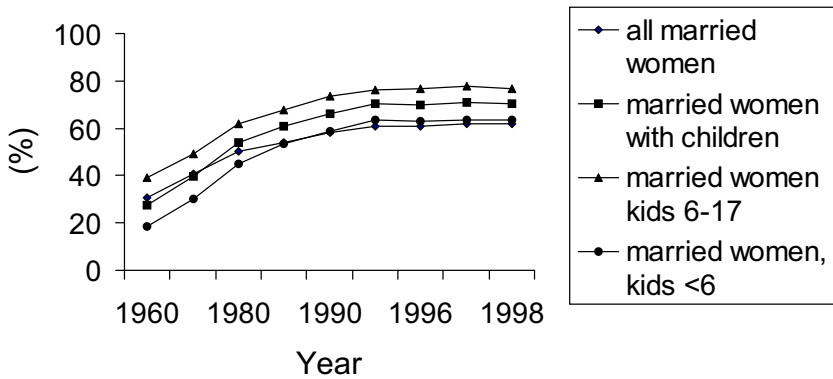
**Figure 1 Total Fertility Rate**



**Figure 2 Teen Birth Rate per 1,000 Women in Specified Group**



**Figure 3 Female Labor Force Participation Rates**



tion as simultaneous, I also examine the labor force participation of mothers. In particular, I focus on two issues related to mothers in the labor force. The first revolves around continued reports in the popular press that professional women are fleeing the workforce due to conflicting work and family roles. Although most of the evidence on this topic is anecdotal, it has the potential to lead employers to believe that women with children are not committed to the workforce, perhaps leading employers to be less willing to invest in women. To address this issue, I report on some of my own research that examines whether or not professional women are leaving the labor force and returning to the home to care for their children. The second issue I explore is the family pay gap—the earnings differential between women with and without children. While the gender pay differential has received much attention and has narrowed recently, the family pay gap has received scant attention and has grown in recent decades.

This chapter is organized as follows. In the next section, I outline the basic economic theory behind the economics of fertility. Following that I discuss the effects of various public policies on the fertility of U.S. women. In the next section I discuss both the issue of women returning from the workforce to care for children and the family pay gap that exists between women with and without children. In the final section I offer some concluding remarks.

## **THE ECONOMICS OF FERTILITY**

To understand how public policies such as income taxes, welfare reform, and maternity leave can affect fertility, it is useful to begin with some economic theory. My discussion is short and nontechnical.<sup>3</sup> The economic model of fertility is essentially an extension of neoclassical demand theory. Parents are assumed to receive utility from children (or child quality) as well as from other goods. Parents are also assumed to behave rationally and to be perfect contraceptors; that is, they are effective users of contraception. Children (or child quality) can be either produced primarily at home (home-cooked meals, parental child care) or with goods bought from the market (restaurant meals, prepared foods, and purchased child care). Parents maximize their util-

ity subject to a full-income budget constraint where full income is defined as that amount of income the household would have if it devoted all available time to working. The full-income budget constraint thus explicitly includes the hourly wage rate as the opportunity cost of time. Therefore, the model recognizes that not only are there explicit costs of raising a child (diapers, food, etc.), there is a significant time cost or opportunity cost associated with raising a child. This time cost is traditionally borne by the mother.

The model leads to the prediction that the demand for children is a function of income, prices, tastes, and preferences. Theoretically, there is some ambiguity surrounding the potential impact of women's wages on fertility due to competing income and price effects. The general expectation, however, is that fertility will be negatively associated with a woman's wage rate because traditionally women have borne the time cost of children. In fact, Schultz (1994) has noted that virtually all economic studies of fertility have found a negative relationship between women's earnings or women's education (a good proxy for earnings) and fertility.

In the following section I review and discuss research that examines several specific policies and their effects on fertility in the United States. All of these policies change the budget constraint facing the family because they change the price of a child. Thus, as parents weigh the costs and benefits of an additional child, they are assumed to take into account the change in costs and/or benefits imposed by the policy under consideration.

## **PUBLIC POLICY AND FERTILITY**

### **Taxes and Fertility**

As noted above, the economic model of fertility suggests that couples weigh the financial costs of raising a child together with the time inputs of parents against the utility gains from having children. Tax and transfer payments that vary with family size alter these costs and benefits and thus are expected to have an effect on the demand for children. Politicians have often stated that increasing the personal exemp-

tion in the U.S. income tax would decrease the cost of a child. In the late 1980s, several economists began noting that tax variables, by changing the “cost” of a child, could have an impact on fertility. In one of the first papers in this vein, Whittington, Alm, and Peters (1990) examined the possibility of a causal relationship between the value of the personal exemption in the U.S. income tax and the U.S. total fertility rate.

The personal exemption, a feature of the income tax system since 1913, was instituted to provide relief for low-income families from the burden of taxation. Thus, the original intent of the personal exemption was not to subsidize births (Pechman 1983). Unlike other policies that might affect fertility, the personal exemption is an ongoing subsidy that families receive each year they claim the child as a dependent on their income tax form. For most families, this subsidy lasts for at least 18 years. In 1994, the U.S. Department of Agriculture estimated that the out-of-pocket expenditures required to raise a child to age 18 amounted to \$136,320. Whittington, Alm, and Peters report that the personal exemption actually covers between 4 and 9 percent of the out-of-pocket costs of a child. Clearly this is not an inconsequential subsidy.

Using aggregate time-series data for the United States from the period 1913–1984, Whittington, Alm, and Peters model the general fertility rate (the birth rate per thousand women between the ages of 15 and 44) as a function of the tax value of the personal exemption, women’s average wages, and a variety of other regressors. They confirm that the dependent exemption has a positive and statistically significant effect on the total fertility rate. In related work, Whittington (1992) demonstrates that the time series finding of a statistically significant and positive link between fertility and the personal exemption also holds in the cross section.

This subsidy to fertility does have some distributional effects, as it is primarily geared to middle-income families. Low-income families often are outside of the tax system due to the zero bracket amounts and the fact that high-income families typically do not qualify for the personal exemption.

Another feature of the U.S. income tax code that has the potential to increase fertility is the earned income tax credit (EITC). Unlike the personal exemption, the EITC is targeted to low-income women. There is ample evidence that this credit increases labor supply, but no

one has yet examined its possible fertility incentive. However, because it is a refundable tax credit for individuals who have dependent children in the household, it has the potential to alter fertility. It is a more complicated subsidy than the personal exemption because although it provides a subsidy to families with dependent children, it also increases wage rates. Given the regular empirical observation that higher wages reduce fertility, the EITC may also work to reduce fertility to the extent that it increases the time cost of having children. Thus, any empirical study that looks at the relationship between earned income taxes and fertility must take account of these two offsetting effects and sort out their impact on fertility. It is worth noting that the potential distributional impact of this policy is quite different from the dependent exemption because the EITC is targeted specifically to low-income families. It is possible, though unconfirmed empirically, that this subsidy could provide a birth incentive to low-income families.

There are other features of the tax code that may also have an effect on fertility. The child and dependent care tax provides a tax credit worth up to 30 percent of a family's child care costs in a given year. The impact of this subsidy on births is indirect because in order to be eligible for this subsidy, the family must be using some mode of paid child care. Also, because this subsidy lowers the cost of child care, thus increasing wage rates and thereby labor supply, it may in fact, like EITC, have the effect of dampening the birth rate. To date, there has been no research that examines this issue, though there is a body of work that has examined the link between child care costs and fertility. Connelly (1991) surmises that the actual effect of the child and dependent care tax credit on fertility is small.

### **Welfare and Fertility**

Although some people are skeptical about whether or not economic variables play a role in the complex decision to have a child, one need look no further than those involved in the welfare reform movement to find policymakers and voters who believe that economic incentives can and do affect fertility. Welfare reform has received much recent attention since 1996, when President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This represented a large change in welfare programs.



Prior to this time, welfare benefits were available to women with dependent children, allowing low-income women to stay home with their children. But increasing out-of-wedlock births and a changing political climate have changed society's—and policymakers'—views of women on welfare. Perceptions that married women not on welfare are increasingly opting to work full time and utilize day care services has also contributed to the idea that poor women should not have the option to raise their children at home while collecting welfare benefits (Cohen and Bianchi 1999).

When PRWORA passed, the Aid to Families with Dependent Children program (AFDC) was renamed Temporary Assistance to Needy Families (TANF). The TANF program was designed to deal specifically with several perceived shortcomings of the old AFDC system. Women receiving TANF are now subject to time limits and work requirements. In addition, teen mothers must live with a parent or other responsible adult to receive benefits. Child support enforcement was also increased. Furthermore, states are now allowed to implement family caps, i.e., deny an increase in monthly welfare benefits to women who have more children while on welfare. It is this latter provision that is the focus of my discussion.

Under the old welfare system, in most states the monthly AFDC payment increased with the number of children in the family. Many policymakers and researchers expressed concern that this encouraged women on welfare to have more children in order to collect more money each month. Under TANF, states may now implement a family cap that denies increased benefits to children born to a recipient parent. Mandated family caps at the federal level were not instituted under TANF primarily because abortion foes raised concerns that family caps would encourage more abortions (Klerman 1998). Prior to TANF, states could apply for a federal waiver if they wanted to implement a family cap. New Jersey was the first to do so in 1992, and Arkansas followed quickly. As of July 2000, 23 states had family caps.

There have been numerous studies of the effects of AFDC on fertility. These are summarized in Moffitt (1992, 1998). The early literature suggests only a weak link between AFDC and fertility (Moffitt 1992; Schultz 1994). Later work, reviewed in Moffitt (1998), does find evidence of a link between welfare payments and fertility, although the magnitude varies widely. Because these studies examine

first births and do not distinguish between welfare recipients and non-recipients, they cannot be used to assess the consequences of a family cap. Economists have only recently examined the potential effect of family caps on the birth rate.

Researchers who study family caps and fertility rely on statewide variation in the monthly level of incremental AFDC benefits (rather than the total benefit) to determine if there is an effect on fertility. Because family caps only apply to women currently on welfare, it is typical to limit the sample for analysis to those women receiving welfare benefits. One important issue that must be addressed by all researchers looking into the effects of welfare payments on fertility is the issue of how states choose their policies. If policies were randomly assigned, it would be appropriate simply to regress fertility on the incremental benefit levels in each state, controlling for other demographic and personal characteristics of the woman. However, policies are not randomly assigned; they are generated by the democratic process. For example, states with particularly high abortion rates may adopt policies to curb these rates. Similarly, states with many welfare recipients may have generous welfare benefits primarily because voters in those states believe in supporting single parents, i.e., it is not the policy that is causing the behavior but the behavior is causing the policy. Of course, policymakers are interested in how exogenous changes in policy affect behavior. Such exogenous variation in policy can be difficult to isolate. As Klerman (1998) states: "A crucial methodological issue is thus how to estimate the true effect of the law while controlling for persistent differences in the states adopting policies and other social changes" (p. 118). The approach most often used, *state fixed effects* (Moffitt 1992), is to include a dummy variable for each state in the model. Often, adding state fixed effects to the model deletes any statistically significant effect of incremental welfare payments on fertility.

Although there is some evidence to suggest that births to recipients may be reduced with the imposition of a family cap, many policymakers are concerned about whether or not lower incremental benefits reduce births by reducing pregnancies or by increasing abortions. Most proponents of family caps contend that any reduction in births to recipient mothers will be accomplished through a decrease in pregnancies. However, a reduction in births may instead result from an

increase in abortions. This possibility has prompted concern by the public, the popular press, and policymakers, and as mentioned earlier, it was one of the reasons family caps were not mandated at the federal level (Klerman 1998). Clearly, given the controversy surrounding abortion in the United States, this is an important issue to research. Klerman (1998) presents evidence from the sociology and social psychology literature indicating that many teenage women will resort to abortion when faced with the realities of PRWORA. In other words, rather than becoming better contraceptors, teenagers are more likely to react to a family cap by increasing abortions. However, researchers at the Alan Guttmacher Institute argue that teenagers are better contraceptors than many believe—their figures indicate that nearly 60 percent of poor and low-income teenage women and about 75 percent of higher-income adolescent women use some method of contraception the first time they have sexual intercourse and that an even higher proportions use it on an ongoing basis (Alan Guttmacher Institute 1998).

By exploiting state differences in payments under AFDC, Argys, Averett, and Rees (2000) examine the link between incremental welfare benefits, pregnancy, and pregnancy resolution among welfare recipients. We use a sample from the National Longitudinal Survey of Youth (NLSY) of unmarried women who received AFDC income for at least one year between 1979 and 1991. We estimate a bivariate probit model of the determinants of pregnancy while on AFDC and, conditional on becoming pregnant, the probability of obtaining an abortion. Estimates from our model indicate that there is no evidence that family caps will increase abortions. We do find some effect of family caps on pregnancy. The pregnancy effect is most pronounced for women with three or more children. Contrary to what other studies have found, we found no difference in the responses of white, black, and Hispanic recipients to incremental benefit levels.

However, one problem confronting any research that uses microlevel data to examine abortions is that the incidence of abortion is severely underreported in most survey data sets. Several researchers have expressed concern about underreporting of abortions in survey data. Lundberg and Plotnick (1995) state that white premarital teens in the youth cohort of the NLSY report 33 percent fewer abortions than medical records would lead one to expect. Black teenaged women were even less likely to report their abortions, with nearly 80 percent

unreported. These findings are similar to those of Jones and Forrest (1992), who suggest that the underreporting may be related to marital status as well as race. Argys, Averett, and Rees (2000) also note the severe underreporting of abortions in the NLSY data set but note that as long as the underreporting is not systematically related to the explanatory variables in the model, the estimates will be unbiased. Klerman (1998) argues that such severe underreporting makes the estimation of policy effects from survey data impossible. His review of the available evidence of the effect of welfare reform on abortion also indicates that there is no effect of AFDC payments on abortion. It should be noted that the studies he reviewed did not focus specifically on a welfare population and so did not examine the effects of incremental AFDC benefits; i.e., family caps.

Family caps are an antinatalist policy directed at low-income women. Although family caps apply to only a small fraction of women in their childbearing ages, they bring up many social and political questions. Donovan (1995) notes that despite considerable debate about family caps, there is almost nothing known about the consequences for the families who have another child and are denied benefits. Will they be able to pay their rent? Will their children go hungry? These are also concerns voiced by the Catholic Church (Pear 1995). These issues have not yet been dealt with, but welfare reform speeds ahead with states reporting dramatic declines in their welfare caseloads (Council of Economic Advisers, 1999). There is considerable debate over whether or not the declines in welfare caseloads are due entirely to welfare reform or to the strong economy that has prevailed during the late 1990s. At least one study reports that an economic downturn could increase welfare roles substantially (Black, McKinnish, and Sanders 2000).

Another policy in the United States that affects the fertility of low-income women in a potentially antinatalist way is the money that is allocated to family planning efforts. In particular, the Medicaid program subsidizes family planning for low-income women. Surprisingly, there is not much recent work on the link between Medicaid-funded family planning efforts and fertility. A study by Mellor (1998) is a notable exception. She uses data from Medicaid claims for the state of Maryland. Although her results are specific to Medicaid recipients in Maryland, they provide some of the best evidence we have of

the effect of federally funded family planning on the fertility of low-income women. Women who are on Medicaid receive family planning services, and by federal law they pay no co-payments on prescription family planning services or supplies (unlike women who use private health insurance, which often does not cover items such as birth control pills). Mellor's results indicate that women who are exposed to federally funded family planning through the Medicaid program have a lower probability of having a birth. The magnitude of the effect is larger than that found by earlier researchers. She argues that this is because her method takes into account the potential correlation between the unobservable determinants of family planning use and fertility.

It is interesting to note that policymakers have zeroed in on family caps as an effective way to reduce the fertility of welfare recipients despite the fact that the evidence is unclear as to whether or not family caps are effective. Mellor's work suggests that an effective way to reduce births among this population is to provide family planning services. Family planning programs, unlike family caps, are not discussed as much among policymakers.

### **Maternity Leave and Fertility**

Given the dramatic increase in the labor force participation rate of mothers documented earlier, there has been increased policy attention on how firms and/or government can accommodate the needs of women for both leave time after childbirth and stable job status. In the United States, the debate over maternity leave largely centered around the role of government in family decisions, and this public debate ultimately led to the adoption of the federal Family and Medical Leave Act (FMLA) in 1993. The FMLA guarantees 12 weeks of unpaid parental (meaning both women and men are eligible) leave to most employees of relatively large firms. This offers substantial job protection to some parents following the birth of their children. It is, however, estimated that this legislation will only pertain to about half of U.S. workers due to coverage limitations, primarily because only firms employing more than 50 persons are required to comply (Joesch 1995). Further, no firms are required by law to offer *paid* parental leave. Some firms did offer maternity leave (largely unpaid) prior to the pas-

sage of the FMLA, but it has generally been a benefit offered only to employees at large firms that pay relatively high wages (Kamerman and Kahn 1997; Phillips 2001).

The expansion of parental leave laws to provide coverage for all workers, and the requirement that such leaves be compensated, remain issues of national debate. Advocates emphasize that the United States is the only industrialized country that does not guarantee paid maternity leave (Kamerman and Kahn 1991). Critics argue that expanded leave will result in higher costs for employers, as they must hire replacement workers and/or deal with greater employee absenteeism, and that these costs will be particularly devastating to small firms (Trzcinski and Finn-Stevenson 1991; Kamerman and Kahn 1997). Another cost concern is that women will be induced to have more births because maternity leave lowers the cost of a child, and that this increased fertility will exacerbate the financial burden on firms. Opponents also argue that actual costs combined with employers' fears of increasing fertility will harm the position of women in the labor force because employers will steer away from hiring women in their reproductive years. This could stigmatize working mothers. To deal rationally with these concerns, it is crucial to understand whether women increase births in response to employer-provided maternity leave. There is a growing literature exploring the impact of maternity leave on labor supply patterns and earnings in the United States (Phillips 2001; Waldfogel 1997a; Klerman and Leibowitz 1997, 1998). To date, only two papers examine the impact of maternity leave on births among U.S. women. The paucity of empirical work on this issue is surprising given that the fertility concerns are an often-cited reason for not offering such leave.

In a cross-national study on maternity leave and demographic outcomes, Winegarden and Bracy (1995) estimate a model relating paid maternity leave to three demographic outcomes: infant mortality rate, labor force participation rates of women of childbearing age, and fertility. They find that paid maternity leave decreases infant mortality rates and raises female labor force participation. Interestingly, despite the fact that paid maternity leave in many of the countries in his data set was actually instituted as a policy to increase fertility rates, it has not had that effect because the increase in female labor force participation subsequently reduces fertility. Their research underscores the impor-

tance of considering the simultaneous nature of many demographic and labor force decisions.

In Averett and Whittington (2001), we model the effect of employer-provided maternity leave on the probability of a birth for U.S. women and find that firm-provided maternity leave can in fact have a rather large influence on births, particularly second and higher-order births. We hypothesize that the temporal ordering of events among working women is as follows. A woman first selects her job with or without maternity leave as a benefit. Then, she either has a birth or not. Because of the waiting period often required of benefits packages, a woman may be in a position for a year or more before having access to maternity benefits. It therefore seems unlikely, though not impossible, that a woman would move into a position with maternity leave because she is already pregnant. Because maternity leave is not a benefit explicitly available with every job or firm, women may seek it out as a particular characteristic of their desired job just as people may search for other job benefits such as flexible schedules, tuition remission, or health insurance. Determining the impact of maternity leave on fertility therefore requires explicit recognition of this potential sorting into jobs with maternity leave based on anticipated fertility, and it is not as straightforward as the dependent exemption or the family caps discussed earlier.

In order to determine the effect of maternity leave on births, we estimate two equations: 1) the probability of a woman selecting a job with maternity leave, and 2) the probability of having a birth. The probability of choosing a maternity leave job is a function of her desired fertility, economic and social conditions in the area in which she resides, and personal characteristics that affect her tastes, prices, and income. The probability of a birth is posited to be a function of her wages, nonearned income, maternity leave, and tastes and preferences for children. Thus, the effect of maternity leave on fertility is actually the sum of two effects: the indirect effect of desired fertility on the probability of being in a maternity leave job, and the direct effect of maternity leave on the probability of a birth.

Maternity leave lowers the cost of a birth whether it is paid or unpaid leave, and lowering the cost of childbirth creates a fertility incentive. Hoem (1990) and Walker (1991), in analyses of maternity leave in Sweden, note that this positive incentive may be dampened if

there is any sort of minimum work period required in order to accrue full benefits. If workers are required to meet a minimum term of employment before becoming fully vested in maternity benefits, the existence of maternity leave might actually *increase* the time to birth, thereby decreasing the probability of a birth in early years. Further, a woman with maternity leave benefits may be a more highly valued employee of the firm, and may have a stronger, unobserved attachment to the labor force, making a birth less probable than for a woman with a lower labor force attachment (and no maternity leave). Thus, the direct effect of maternity leave on fertility can not be determined *a priori*.

We estimate our model using data from the NLSY and find no evidence that working women who desire children self-select into firms offering maternity leave. Once in a firm, however, maternity leave does appear to directly increase the probability of a birth for working women, at least for women with at least one child already, and the effect is actually quite substantial. The following calculation provides an estimate of the potential magnitude of the effect we found. In 1995, the Census Bureau reported that 2,034,000 working women aged 15–44 had births, a rate of about 5.65 percent among the roughly 36 million working women in that age group. If all working women were given access to guaranteed maternity leave, the birth probability would presumably rise only among the 23.5 percent (based on our sample) who previously had not benefited from such a policy, and, again, likely only for higher-order births. Thus, increased coverage might result in an additional 118,000 births. This would increase the overall rough birth probability among working women aged 15–44 to just under 6 percent, an increase of 0.4 percentage points. Any change in the fertility or labor market behavior of women not in the labor market resulting from expanded maternity leave policy is not included in this estimated birth increase and, of course, as Winegarden and Bracy note, the labor market effects have the potential to dampen the fertility effects. In other words, if maternity leave encourages more women to work, it may end up decreasing births. Because the NLSY does not collect data on maternity leave coverage for women who are not in the labor force, we cannot empirically test at the individual level whether or not women who are offered maternity leave are more likely to work.

The evidence reviewed above suggests that several public policies in the United States influence the birth rate. The personal exemption in



the U.S. tax system provides a subsidy to children, and it is confirmed that it has a positive impact on births, both in time-series and cross-section models. The effects of welfare payments on fertility, and specifically family caps, provide more modest evidence on the impact of these payments on fertility. To date there is no evidence that family caps will increase abortions, though further study on this issue is warranted. Employer-provided maternity leave is also found to influence the birth rate, particularly for higher-order births. Clearly, the government has intervened in the family. The distributional effect of these policies is worth noting. The pronatalist subsidies are for the most part geared to middle- and high-income women, while the antinatalist programs clearly target low-income women.

The focus on fertility in welfare reform and the push to get welfare mothers into the paid labor force, as well as continued debate about whether the United States should mandate paid maternity leave, brings up an often-debated issue. Is there more that the government should do to help women balance family and career? In the next section, I focus on how mothers fare in the labor force.

## **BALANCING WORK AND FAMILY IN THE UNITED STATES**

The research reviewed above demonstrates that government policy has the potential to impact personal decisions such as fertility. Fertility rates in the United States have remained fairly constant over the past 20 years, as shown earlier in Figure 1. During this same time frame, female labor force participation, particularly among women with infants, has grown dramatically. For example, in 1975, the labor force participation rate of married women with children under one year old was 30.8 percent. By 1998 this number had climbed to 61.8 percent, a growth rate of just over 100 percent. We can expect even bigger growth in the labor force participation of low-income women with preschool-aged children, as welfare reforms continue to push this group of mothers into the labor force. The balance between family and job responsibilities is increasingly the focus of many researchers and policymakers. In 1989, the late Felice Schwartz wrote an article for the *Harvard Business Review* where she argued that employers should put

family-focused women on a slower career track and keep women who viewed their careers as coming first on the fast track (Schwartz 1989). Though she didn't use the term "mommy track," it quickly became a popular buzzword. Now, over a decade after she suggested this, there is still debate over the merits of mommy tracking.

In recent years, the popular press in the United States has repeatedly profiled professional women who have elected to leave the labor force to devote their full-time energies to child rearing. This is an extreme version of the mommy track, as these women supposedly elect to leave the labor force entirely rather than to simply cut back on hours and attempt to balance job and family responsibilities. The conclusion in mainstream media is often that mothers have tired of trying to be "superwomen" and have decided that high achievement in the labor force is not compatible with a successful home life (Deogun 1997; Jacobs 1994; Morin 1991; Taylor 1991). Goldin (1998) notes that for young women with college degrees, the difficulty in balancing work and family remains a major concern. Others have suggested that the relative prosperity of the 1990s has afforded women the choice to stay home and that many career-minded professional women are exercising their freedom to choose, i.e., they are not necessarily tired of trying to juggle family and home life, they just want to stay home (Quinn 2000; Jeffrey 2000). It is not, of course, just professional women who struggle with finding a balance between work and family. Sicherman (1996), for example, found that a higher proportion of women than men leave their jobs for nonmarket reasons, such as household duties and family illness. Culpan, Akdag, and Cindoglu (1996), Wentling (1996), and Gordon and Whelan (1998), among others, also present evidence indicating that family concerns play a large role in women's career satisfaction, retention, and achievement.

The effect of repeated mass media articles in this vein has been to leave the impression that women currently entering professions are less committed to a long-term career than were women in previous decades. This anecdotal impression can be used in some dangerous inferences about the validity of investing in women. Of further concern, policy-makers could conclude that aggressive pursuit of policy options protecting women's positions in the labor market is unnecessary. Statistical discrimination with respect to women based on their potential labor force attachment may flourish if employers fear that a

woman's odds of returning to the home are greater than they were in the past.

Interestingly, this set of articles appears at a time when the majority of the empirical evidence suggests that women with children have a heightened attachment to the labor force. The growth in the labor force participation rate of women has slowed in the 1990s, but there is no reason to believe that these rates will fall.<sup>4</sup> Furthermore, as mentioned earlier, the labor force participation rate of mothers of preschool-aged children has climbed more rapidly than the overall female labor force participation rate. Women are not only working more, they are making inroads into traditionally male-dominated occupations. For example, data from the Current Population Survey indicate that in 1999, 46.7 percent of full-time wage and salary workers in executive, administrative, and managerial occupations were women, up from 34.2 percent in 1983 (U.S. Department of Labor 2000). Women are also working later into pregnancy, and they return to work more quickly after childbirth (Wentling 1996). In fact, Klerman and Leibowitz (1994) report that about half of all women return to work by the time their child is four months old. They also note that women returning to work closely after the birth of a child account for nearly all of the women who will return to work that first year. Hayghe and Bianchi (1994) report that married mothers are twice as likely to work full time all year than their predecessors of 20 years ago. Thus, the commitment to the workforce on the part of mothers appears stronger than ever.

Despite the considerable anecdotal evidence surrounding this issue, there is little empirical evidence that professional women are leaving the workplace. Whittington, Averett, and Anderson (2000) examine this issue more closely, and the results of that research are summarized here. To determine whether or not professional women are leaving the workforce more frequently than in years past, we use a sample of managerial and professional women from the Panel Survey of Income Dynamics, and we estimate the probability of withdrawing from the labor force at one-, two- and five-year intervals after the birth of a child. Our sample consists of married women who report that they are working in a professional, managerial, or technical position in the year preceding a birth during the years 1968–1992. Because previous research by Shapiro and Mott (1994) and Klerman and Leibowitz (1994) highlights the importance of making the distinction between

being employed and working, we use several definitions of withdrawal from the labor force. For example, many women do not withdraw completely from the labor force after giving birth but are still employed by their firms even though they may be out on leave. Likewise, a woman might be currently out of work but still consider herself attached to the labor market and plan to return. The distinction between work and employment is therefore important in understanding women's employment behavior following childbirth.

It is also important to control for other factors that may affect labor force attachment, such as earnings, work experience, and husband's earnings, since others have found that these factors influence whether or not women will return to work after the birth of a child (Desai and Waite 1991; Klerman and Leibowitz 1994). Therefore, we regress each measure of labor force withdrawal on the set of covariates, described above, and control for the time period when the woman gave birth. Our results indicate that women who gave birth in recent years are more likely to report zero hours of work two years after the birth of a child when compared with women who gave birth earlier in the sample period. Thus, we find some support for the supposition that more professional women are opting to stay home and raise children in lieu of aggressively pursuing their careers. We do not find any differences by cohort, indicating that this phenomenon cuts across women of all childbearing ages. However, our results are not robust across different measures of labor force withdrawal, nor are they consistent across postpartum time intervals. One possible explanation for our findings is that women of later childbirth periods may now face a more flexible workplace that permits them to cut back on their hours or take an extended leave, perhaps without pay, while still maintaining their attachment to the workforce. There is some anecdotal evidence that this is the case and that the strong economy of the late 1990s has given women more flexibility in the labor market (Wylie 2000).

There is some support, albeit weak, for the conjecture that professional women are opting to leave the workforce. Why? Several factors have been put forth to explain this exodus. Perhaps the most salient is the existence of the glass ceiling. Although women have made great inroads in the labor market, there is still a considerable gap at the top. Myerson and Fletcher (2000) report that women still comprise only 10 percent of senior management positions at Fortune 500 companies.

The data are not broken down by child status, but it is safe to say that considerably few of the women who are senior corporate managers have children, or at least young children.

Another explanation for this phenomenon may be the pay differential that still exists between men and women. Currently women earn 76 percent of what men earn. Although women are better represented in the top-paying occupations, within those broad occupational categories women are much less likely to be employed in the higher-paying occupations. For example, in the professional specialty occupations, where women earn the most, they are much less likely to be employed as engineers and mathematical and computer scientists and more likely to work as teachers (except college and university) and registered nurses (U.S. Department of Labor 2000). The median weekly earnings of teachers is \$671 and the median earnings of registered nurses is \$739 while the median weekly earnings for engineers and mathematical and computer scientists is between \$900 and \$1,000 (Bowler 1999).

What may be a more compelling reason for women with children to opt out of the labor force may not be the gender pay gap but the family pay gap. The family pay gap is defined as the difference in pay between women with and without children. Economists have documented for many years that women with children earn less than women without children, while this is typically not found for men. In fact, there is some evidence that marriage (though not necessarily children) raises men's earnings (Korenman and Neumark 1991). Waldfogel (1998) examines this issue more closely and finds that the family gap for women has been widening at the same time the gender pay gap has been decreasing. For example, she notes that women without children earned 68.4 percent of what a man earned in 1978, but that by 1994 that figure had risen to 81.3 percent. The same figures for a woman with children were 62.5 percent and 73.4 percent, respectively. However, a married woman with children under the age of six earned only 67 percent of what a married man with children under the age of six earned, while women with no children under age 18 earned 83 percent of what a man with no children under age 18 earned. These figures are unadjusted for differences in human capital investment and occupation. Thus, they may be misleading if men and women have different productivity characteristics; i.e., it may be that women with children have less education or less work experience on average. However, the fam-

ily penalty remains even when other important wage determining variables such as education, ability, previous work experience, and other factors have been controlled.

To provide an estimate of the magnitude of the effect of children on men's and women's wages, I use data from the 1993 wave of the NLSY.<sup>5</sup> I use separate samples of men and women, as is typical when estimating human capital wage functions. Limiting my sample to high school graduates, I estimate a human capital earnings function, controlling for the usual set of human capital, demographic, and location variables. One advantage of using the NLSY is that it provides information on weekly work experience and has an ability indicator; all respondents were administered the Armed Forces Qualifications Test in 1980 (AFQT), which is a test of academic ability. The dependent variable in the analysis is the natural log of hourly earnings. As shown in Table 1, it is clear that the presence of a child lowers earnings by nearly 8 percent for women and that the effect is statistically significant. For men, children *increase* their earnings by 6 percent, and the effect is statistically significant. These figures are even more dramatic when I limit my analysis sample to those women and men who are in managerial and professional occupations. Having a child lowers a female manager's earnings by 15 percent while having a child has virtually no impact on the earnings of a male manager. Like Korenman and Neumark (1991), I find married men to have higher earnings than nonmarried men.<sup>6</sup>

Waldfogel (1998) notes that there are several theories put forth to explain the lower earnings of mothers. The most obvious, and the one for which we have virtually no empirical evidence, is discrimination. It is possible that women with children face statistical discrimination—employers believe they are less likely to be attached to the labor force and are thus reluctant to invest in them. Another theory put forth by Becker (1985) states that the earnings penalty faced by mothers is due to lower effort. Women with children and families exert less effort on the job and thus earn lower wages. If such effort is unmeasured when estimating a human capital earnings function, the resulting wage penalty may not reflect the effect of the child per se but may simply be a difference in effort. However, recent research that carefully accounts for effort has generally not confirmed that this is the case (McLennan 2000).

**Table 1 Log Wage Regressions for Men and Women from 1993 NLSY**

Variable	All women	All men	Women managers	Men managers
Constant	2.261*** (0.171)	1.961*** (0.177)	2.570*** (0.419)	0.646 (0.469)
AFQT score (percentile)	0.454*** (0.000)	0.517*** (0.000)	0.526*** (0.100)	0.500*** (0.100)
Child	-0.079*** (0.023)	0.056*** (0.021)	-0.150*** (0.049)	0.005 (0.052)
Black	0.076*** (0.025)	-0.028 (0.023)	-0.012 (0.060)	0.007 (0.064)
Married	0.091 (0.026)	0.140*** (0.025)	0.038 (0.057)	0.155** (0.061)
Separated/div./ widowed	0.049* (0.030)	0.024 (0.029)	0.066 (0.011)	0.030 (0.090)
Age	-0.023*** (0.005)	-0.016*** (0.005)	-0.020 (0.011)	0.021 (0.012)
Experience	0.028** (0.013)	0.057*** (0.015)	0.008 (0.037)	0.117*** (0.040)
Experience <sup>2</sup>	0.001* (0.001)	-0.000 (0.001)	0.001 (0.002)	-0.000** (0.002)
Has Bachelor's degree	0.263*** (0.030)	0.247*** (0.029)	0.109** (0.051)	0.163*** (0.051)
Has Associate's degree	0.139*** (0.033)	0.101*** (0.036)	0.102 (0.067)	0.001 (0.082)
Adjusted R <sup>2</sup>	0.257	0.237	0.151	0.149
N	2,997	3,416	782	713

NOTE: Standard errors are in parentheses. All models include controls for region of residence (3 dummy variables) and a control for center city residence. \*\*\* = Statistically significant at the 1% level; \*\* = statistically significant at the 5% level; \* = statistically significant at the 10% level.

Waldfogel (1998), in her study of the family gap, notes that job-protected maternity leave has the potential to close the family wage gap. She finds that women who have job protected maternity leave experience less of a wage penalty to having children. Waldfogel argues that this is because maternity leave coverage raises the probability that women return to their previous employers after childbirth.

Having women return to their previous employers is advantageous, she argues, because this job continuity provides women the opportunity to receive general and firm-specific training and work experience that will boost their pay. This opportunity is typically lost when a woman has to return to a completely new employer or position following childbirth. She also notes that child care and other family friendly policies also have the potential to close the family pay gap.

## CONCLUSIONS

The study of the economics of fertility has consistently found that economic variables play an important role in determining fertility rates. Despite experiencing below replacement level fertility, the United States does not have any explicit policies designed to influence fertility rates. However, there are several public policies that affect the fertility decisions of families. Most of these policies are antinatalist at the low end of the income distribution and are more pronatalist to women at the upper end of the income distribution. Some of these policies grew out of concern over the high fertility rates of certain groups of the population, such as welfare recipients. Other policies, such as maternity leave, were not designed to influence fertility but rather to help women combine family and work responsibilities.

The growing involvement of women in work outside the home has focused attention on the status of women, particularly mothers, in the labor force. It is clear that working women are an entrenched feature of the labor market. There is evidence that family-friendly policies, such as job-protected maternity leave, will help put them on more equal ground economically. Although women have made sizable progress in the labor force, there are still barriers. Women still earn only 76 percent of what men earn. They still work in female-dominated jobs, and they are still underrepresented in upper management. Women with children earn less than comparably qualified women without children. With many former welfare recipients poised to enter the labor market, it is of increasing importance to examine the delicate balance between work and family that many women must maintain. If professional women find the dual task of family and career daunting, it



must seem impossible to a low-skilled woman facing the prospect of a low-wage job and childcare costs. For former welfare recipients, childcare issues will be at the forefront as these women scramble to find affordable, quality child care for their children.

### Notes

1. The total fertility rate is defined as the number of births that 1,000 women would have in their lifetime if at each year they experienced the birth rates occurring in the specified year. A total fertility rate of 2.11 represents replacement level fertility at current mortality rates.
2. High teenage birth rates have been a concern of policymakers for some time in the United States. I do not discuss them specifically, except in the context of welfare reform. Readers interested in examining some of the issues should see Levine (2000).
3. For an excellent and more technical and detailed presentation of the models, see Hotz, Klerman, and Willis (1997). For those interested in reading some of the seminal work, see Schultz (1974).
4. Hayghe (1994) notes that although there was a break in the data between 1989 and 1991, there is no evidence to support the assertion that the labor force participation rate of women has leveled off or is going to fall.
5. Economists emphasize the simultaneous nature of the labor supply and fertility decisions. In these models I make no attempt to control for the endogeneity of children. Failure to control for this likely biases the coefficient on children upward. See Angrist and Evans (1998) for a model that does account for the endogeneity of children. See Waldfogel (1997b) for a comprehensive examination of the effect of children on women's earnings.
6. I do not control for occupation in these models, although controlling for occupation (in models not presented here) does not reduce the child penalty. This suggests that women with children are not necessarily in lower-paying occupations.

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# **The Economics of Work and Family**

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