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# NEWSLETTER

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# WOMEN'S CONTRIBUTION TO LABOR ECONOMICS: PART II

By
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and
Marianne A. Ferber

In the first part of this article, we presented information about the representation of women in labor economics, then reviewed their contributions to the analysis of wages and wage differentials, as well as occupational segregation. In this part we first consider their work on time allocation and household decision-making, labor force attachment and unemployment. Then we examine their research on female headed families, the impact of training and the role of labor unions.

## Time Allocation and Household Decision-Making

As important as are the occupations and earnings of those who are in the labor force, an even more fundamental question is the labor force participation decision itself. Women's labor force participation has risen throughout the 20th century, culminating in the dramatic increases of the post-World War II period. Gertrude Bancroft (McNally) was one of the first to concern herself with the influx of women as part of her comprehensive examination of labor force trends in the first half of the century (The American Labor Force: Its Growth and Changing Composition 1958). Spurred in part by their desire to understand the causes of the post-War trends, economists like Jacob Mincer (in Aspects of Labor Economics 1962) and Gary Becker (EJ 75 1965; JPE 82 1974) were prompted to extend the traditional theory of labor supply to incorporate household production and decision-making in a family context.

As economists turned their attention to the family, the issue arose as to how to model decision-making in this multi-person unit. The notion of family utility maximization was advanced in the early influential approaches of Paul Samuelson (QJE 70 1956) and Gary Becker (JPE 82 1974; Treatise on the Family 1981). Samuelson assumed decisions were made on the basis of consensus, something those of us who have lived in families know is not always present. Becker relied on an altruistic patriarch who maximizes family utility because he [sic] values the welfare of other family members as much as his own. Drawing on the notion of comparative advantage, Becker also emphasized the efficiency of the traditional division of labor in which the husband is the breadwinner and the wife specializes in household production.

Aspects of this approach were challenged early on by a number of female economists, including Marianne Ferber and Bonnie Birnbaum (J of Consumer Econ 4 1977) and Isabel Sawhill (Daedalus 106 1977). They claimed that it was unrealistic to assume a single family utility function in light of differences in tastes between husbands and wives. They also argued that while the traditional division of labor may have been an efficient response to conditions that prevailed in earlier times, it does not necessarily represent rational maximizing behavior today. Finally they pointed out the risks of specialization, especially for the "dependent" wife; this argument has also been emphasized more recently by Barbara Bergmann (The Economic Emergence of Women 1986).

Women have also played an important role in developing alternative analyses of the family. The bargaining models of Marylin Manser and Murray Brown (IER 21 1980) and Marjorie McElroy and Mary Horney (IER 22 1981) recognize possible conflicts of interest between husband and wife, as well as the importance of bargaining power. In addition, in a departure from traditional Marxist views of the family, Heidi Hartmann (Signs 1 1976, pt. 2) and Nancy Folbre (Canadian J of Econ 6 1982) offered radical analyses of the family as the instrument of patriarchy and capitalism.

Empirical examinations of labor supply have tended to accommodate family decision-making in a fairly simple way by adopting what Mark Killingsworth calls the "male chauvinist" model: "...the wife views her husbands's earnings as a king of property income...when she makes labor supply decisions, whereas the husband decides on his labor supply without reference to his wife's labor supply decisions" (Labor Supply 1983, p. 30). This traditional model is less cumbersome than one in which both spouses' labor supply is jointly determined, and may yield results which fairly closely approximate reality when women tend to be secondary earners. Within this context, the growth in married women's labor force participation has been tied to a dominance of the positive substitution effect associated with increases in their own real wages over the negative income effect associated with increases in their husband's real earnings (Mincer 1962).

In her recent thorough analysis of historical changes in women's labor force participation rates from 1890 to 1980, Claudia Goldin (Understanding the Gender Gap 1990) applies this approach to extremely good effect. One of her more intriguing findings is that the conventional model overpredicts married women's labor force participation for 1930, 1940, and 1950. Goldin presents evidence that changes in participation of this group were retarded by institutional barriers such as marriage bars (rules against employing married women), as well as lack of availability of part-time work. Institutional factors of a different sort are emphasized in Clair Brown's analysis of the later rapid increase in married women's participation in which shifting social norms for consumption first allowed and then required the participation of wives to rise (in Clair Brown and Joseph Pechman, eds., Gender in the Workplace, 1987).

Recent work by Shelly Lundberg (RESTAT 70 1988) explicitly examines the nature of the interdependence between the labor supply decisions of husbands and wives. She finds that the presence of children is a crucial variable, with both spouses acting as separate individuals except when young children are present. Women have also contributed to modifying the traditional approach to take into account, for example, the effect of hours constraints on labor supply decisions (Shelly Lundberg, RESTAT 67 1985; and Shulamit Kahn and Kevin Lang, RESTAT 73 1991), and the impact of child care costs on women's labor force participation (Rachael Connelly, RESTAT 74 1992). They have also investigated the effect of cultural differences associated with race, ethnicity or nativity. For example, Cordelia Reimers (AER 75 1985) contrasts participation rates of immigrants and natives while Phyllis Wallace, Linda Datcher-(Loury), and Julianne Malveaux (Black Women in the Labor Force 1980) consider black-white differences.

While the most dramatic shift in labor force participation in the post-World War II period has been the large rise in female participation, there has also been a notable, though smaller, decline in the participation of men. Women economists have helped to elucidate the source of this shift as well. Much of the decline in overall participation rates has been due to the large decrease in the participation rates of older males. Women who have studied the impact of social security and pensions on the labor supply decisions of these older workers include Marjorie Honig, Cordelia Reimers, and Olivia Mitchell (Giora Hanoch and Marjorie Honig, JOLE 2 1984). There has also been a smaller decrease in the participation of prime aged males. Research by Robert Haveman and Barbara Wolfe (JPE 92 1984) found that the expansion of the Social Security Disability Insurance program can account for only a small portion of this reduction. Recent work by Chinhui Juhn (QJE 107 1992) suggests that, while supply-side factors may have been important in explaining the initial decline from the late 1960s to the early 1980s, the main explanation since then is declining market opportunities (i.e., declining real wages), particularly for less-educated men.

## Labor Force and Job Attachment

Given the importance of job tenure and labor market experience in explaining gender differences in labor market outcomes, it is not surprising that considerable attention has focused on issues related to labor force and job attachment. Alice Nakamura and Masao Nakamura (The Second Pay Check, 1985) find that the behavior of career women differs from those who enter the labor force chiefly in order to smooth family income, while Rebecca Blank (AER 79 1989) found that women do little switching among full-time, part-time and nonwork status. A study by Jacob Klerman and Arleen Leibowitz (AER 80 1990) highlights the positive effect of the expected level of child care tax credits on the likelihood of a mother returning to work within 3 months of her first child's birth. Recent research indicates that the labor force attachment of women has been increasing, particularly among the highly educated (M. Anne Hill AER 80 1990; and Audrey Light and Manuelita Ureta AER 80 1990).

Research on gender differences in quitting suggests that, although women have higher average quit rates than men, at the same level of personal and job characteristics women are no more likely to quite their jobs than men (Francine Blau and Lawrence Kahn ILRR 34 1981). Moreover, average female quit rates have declined over successive cohorts; and for workers born after the early 1950s (but not their predecessors), nonquitters can be identified by employers equally well among men and women (Audrey Light and Manuelita Ureta, JOLE 10 1992).

Women have also shed light on other issues related to turnover. For example, Ann Bartel's (AER 69 1979) work elucidated the relationship between job mobility and geographic mobility, while Olivia Mitchell (ILRR 37 1983) showed that male employees covered by pension plans are significantly less likely to change jobs.

## Unemployment

A particularly interesting role for women economists in the policy arena occurred in the 1970s. As the unemployment rate edged upward from 3.5 in 1969 to 5.9 percent in 1972, Nixon administration economists issued a two-pronged defense of the performance of the economy. First, they argued that changes in the composition of the labor force, notably the increasing share of women and youth who traditionally had higher unemployment rates, necessitated an upward revision in the full employment target. Second, they downgraded the seriousness of the unemployment problem for women, suggesting that, from a welfare perspective, attention be focused on the more favorable rates for married males (men with families to support, according to their reasoning).

Women like Carolyn Shaw Bell (The Public Interest 30 1973), Nancy Barrett (in Ralph Smith, The Subtle Revolution, 1979), and Clair Vickery (Brown), Barbara Bergmann, and Katherine Swartz (AER 68 1978) were among those challenging both these arguments. With respect to the seriousness of the unemployment problem for women, they pointed out that many women in the labor force were family heads themselves and that not all married women were comfortably supported by their husband's income. Moreover, as increasing proportions of married men had working wives, it might be argued that *their* unemployment was less of a social concern than previously. It is our recollection that the outcry over the Administration's efforts to focus on married males resulted in the dissemination of a "household head" unemployment series which included single female heads as well as married males.

Growing social acceptance of changing gender roles combined with a disappearance of the gender gap in unemployment rates (the male and female rates are now roughly equal) appears to have muted this argument. However, until fairly recently a number of economists continued to hold that female unemployment was less cause for concern because frictional factors play a larger role in female than male unemployment (Ronald Ehrenberg and Robert Smith, Modern Labor Economics, 1st, 2nd, and 3rd eds, 1982-88; and Janet Johnson, JPE 91 1983).

The argument that the demographic shifts of the 1960s and 1970s increased the so called "full employment unemployment rate" has, on the other hand, been fairly widely accepted by labor economists. However, because the impact of the changing shares of women and youth are generally aggregated together, it is frequently overlooked that, even accepting the basic premises of the argument, the increased share of women taken separately explains very little of the unemployment increase. Simple calculations indicate that about one half of the 1.5 point rise in the unemployment rate between 1957 and 1979 (two years of "full" employment) was attributable to demographic factors. Of this increase, only one-fifth was due to the rise in women's share of the labor force, the remainder was due to the rise in the proportion of youth (Francine Blau and Marianne Ferber The Economics of Women, Men, and Work, 1992, p. 253). This is because, even in the 1960s and 1970s, when the female unemployment rate was higher than the male rate, the differential was relatively modest, whereas young people had considerably higher unemployment rates than adults.

## Female-Headed Families

The growth of female-headed families in recent years has been a demographic trend of considerable policy significance. Not surprisingly, women economists have taken a special interest in a variety of issues relating to female heads. Marjorie Hong (JHR 9 1974) was one of the first to examine the impact of AFDC benefit levels on the incidence of female headship; her results suggested a positive relationship. Shortly thereafter, Heather Ross and Isabel Sawhill published one of the first comprehensive examinations of the causes and consequences of the rise in female-headed families (Time of Transition, 1975), followed in recent years by Irwin Garfinkel and Sara S. McLanahan's Single Mothers and their Children (1986).

Other recent work[1] includes David Ellwood and Mary Jo Bane's (Research in Labor Econ 7 1985) reexamination of the headship issue, which confirms a small positive effect of AFDC benefits on living arrangements; but this effect is not sufficient to account for the increase in female headship in recent years. Rebecca Blank (JOLE 6 1988; JHR 24 1989) and Anne Winkler (JHR 26 1991) have studied the labor supply behavior of female heads. Policy solutions to the economic problems of this group have been examined by Barbara Bergmann (The Economic Emergence of Women, 1986), and Roberta Spalter-Roth, Heidi Hartmann and Linda Andrews (Inst for Women's Policy Res), among others.

## Other Topics

In the brief space remaining, we would like to mention two additional areas where women have made important contributions. The recent political campaign has focused considerable public attention on the issue of stagnating real wages and the potential role of training in addressing this problem. The work of women economists in this area includes Laurie Bassi's (RESTAT 66 1984) study of the impact of government training programs on the earnings of program participants, and Lisa Lynch's examination of the effect of private sector training on the earnings of young workers (AER 82 1992).

Finally, while the study of labor unions in often viewed as a "male" area, women economists have done considerable work on this topic. We have space for only a few examples of the diverse work in this field. Susan Vroman's study of wage spill-overs in manufacturing confirms the traditional view that union wage behavior influences nonunion wage changes rather than vice versa. Paula Voos' (ILRR 36 1983) work on the cost and benefits of union organizing drives provides one of the few examples of an attempt to quantify these elements. Linda Edwards and Franklin Edwards' (ILRR 35 1982) finding that unionized municipal sanitation workers receive much higher wages than do those in private firms suggests that unions have more bargaining power in the public than in the private sector. Finally, Janet Currie and Sheena McConnell's (AER 81 1991) examination of the impact of public sector collective bargaining laws on dispute costs and wages suggests that legislators face a trade-off in considering compulsory arbitration: although it tends to reduce dispute costs, it is associated with higher wage outcomes.

## Concluding Remarks

This brief survey has inevitably been somewhat superficial and omitted mention of much worthwhile work. Worse than that, there has almost certainly been a bias in terms of our own interests and greater familiarity with some areas than others. Nonetheless, we hope that we have succeeded in showing the importance of women's contributions to analytical and empirical work in labor economics in general, and to women's issues in particular.

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1 See Robert Moffit (JEL 30 1992) for a review of research on the incentive effects of the welfare system.

THE GLASS CEILING
by
Eleanor Chelimsky
U.S. General Accounting Office

Excerpted From
Remarks on the Occassion of Women's History Month
Federal Women's Program
Seattle Regional Office
April 9, 1992

All of us know that women have made quite staggering progress in the past 15 years; we've not only acceded to important positions -- in business, in academia, in the professions -- that we never held before, but we're getting there in numbers. Also, figures for 1988 show women making up 40 percent of law school students, 34 percent of medical students and receiving 31 percent of MBA degrees, which tells us something about future possibilities.... It's also true that women themselves have made enormous personal efforts to break out of yesterday's mindsets and yesterday's jobs. Still, something seems to be wrong. Women are not making it to the top very fast, or in what would seem to be appropriate numbers, all other things being equal.

According to a study (Korn-Ferry/UCLA) cited recently by the Economist, only about 3 percent of top American managers today are female. As for academia, Science tells us that women hold only about 4.5 percent of tenured math faculty positions; in medicine, although there are now some 14,000 women teaching, only about 10 percent are full professors and none are deans. With regard to the federal government, I don't have to remind you that women make up only 2 percent of U.S. Senators. In the executive branch, although women hold 11 percent of SES positions, they also hold two-thirds of lower-graded jobs. At GAO today, women occupy 15 percent of our SES positions, although we are doing less well at the Band III level. But even given some progress at the top in some places, it still seems that, for most fields, at some point in their careers, many women hit something called a glass ceiling.

From my experience, there are two kinds of barriers that keep women from moving up:

* barriers that are set for us by other people; and
* barriers that we set for ourselves.

## Barriers From Without

The barriers that are not of our own making come in all shapes and sizes and they all work together, willy-nilly, to exclude women. At the beginning of a career, women confront stereotypes -- yes, it's still true after all these years -- about feminine irrationality, incompetence, unpredictability, rigidity, inability to lead, too much control, lack of control, stridency, weakness, humorlessness, you name it.