

Women's labor force participation Income and substitution elasticities, and some critical remarks

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The history of women's labor force participation

- ▶ Claudia Goldin provides a history of women's participation in wage labor over the last century:

Goldin, C. (2006). The quiet revolution that transformed women's employment, education, and family. American Economic Review, 96(2):1–21.

- ▶ She structures her story in terms of two **elasticities**:
 1. the income elasticity of women's labor supply
 2. the substitution elasticity of women's labor supply

Elasticities

- ▶ Elasticities are the (causal) effect of the logarithm of one variable on the logarithm of another variable, e.g.:

$$\varepsilon = \frac{\partial \log L}{\partial \log Y}$$

- ▶ Logarithms are convenient, since they make the effects “unit-less”
- ▶ ε measures:
“By what percentage does L increase (or decrease) if Y increases by 1%?”

Income and substitution elasticities

- ▶ Increasing wages have two (historically opposite) effects on women's labor supply:
 1. They make households richer.
If staying home is considered a good thing, richer households can afford women's staying home more easily.
 2. They increase the return to working.
- ▶ The first effect is measured by the income elasticity:

$$\varepsilon = -\frac{\partial \log L}{\partial \log Y}$$

- ▶ L is a woman's labor supply,
 Y is family income (including her partner's).
- ▶ We can measure ε by looking at the effect of partners' incomes.

- ▶ The second effect is measured by the substitution elasticity η^S .
- ▶ We can only measure η^S indirectly.
- ▶ Increasing women's wages w has a total effect η , which is the sum of substitution and income effect:

$$\eta = \eta^S - \alpha \cdot \varepsilon$$

- ▶ α is the percentage increase of family income from women working full-time.
- ▶ η can be estimated:

$$\eta = \frac{\partial \log L}{\partial \log w}$$

- ▶ We can thus get η^S from

$$\eta^S = \eta + \alpha \cdot \varepsilon.$$

Why these elasticities matter

- ▶ The elasticities allow us to study both
 1. the difference of labor supply across social classes (levels of income / wages), and
 2. the historical changes of labor supply as wages increased with economic growth.
- ▶ Over time,
 1. elasticities changed,
 2. wages changed,
 3. women's labor supply for given income / wages changed.
- ▶ Total changes in labor supply can be decomposed into these parts.

Questions for you

Try to write the change of women's labor supply over time as a sum of these three parts.

Criticisms

- ▶ In feminist discussions, several criticisms of the developments discussed by Goldin (2006) (and their description as desirable) have been raised.
- ▶ See for instance
Fraser, N. (2013). Fortunes of Feminism: From State-Managed Capitalism to Neoliberal Crisis. Verso Books.
- ▶ I will focus on two:
 1. Is the “quiet revolution” of women having careers true for all women, or just for a subgroup?
 2. Is it desirable to subsume ever more spheres of life to market-based organization?

Careers for all?

- ▶ Descriptions such as the one of the “quiet revolution” in Goldin (2006) focus on college-educated women.
- ▶ Additional emphasis is put on those with professional and advanced degrees (lawyers, doctors, managers, academics...)
- ▶ What about historical changes for women outside these groups?
- ▶ If we care about inequality, is the focus on inequality based on gender obscuring other inequalities?

Questions for you

Discuss this in the context of the normative frameworks of our first meeting.

Markets for everything?

- ▶ Traditional divisions of labor assigned
 - ▶ men to paid work in the market,
 - ▶ women to unpaid reproductive / care-work in the family.
- ▶ The developments described by Goldin imply
 1. Women increasingly work for wages, and
 2. care- and other work traditionally outside the market is now organized via markets.
- ▶ Fraser (2013) argues
 1. Traditional division of labor is unequal and repressive, but
 2. pervasive marketization also creates inequalities and power relationships.

Questions for you

How do you see this tradeoff? Should we aim for a “third alternative?”