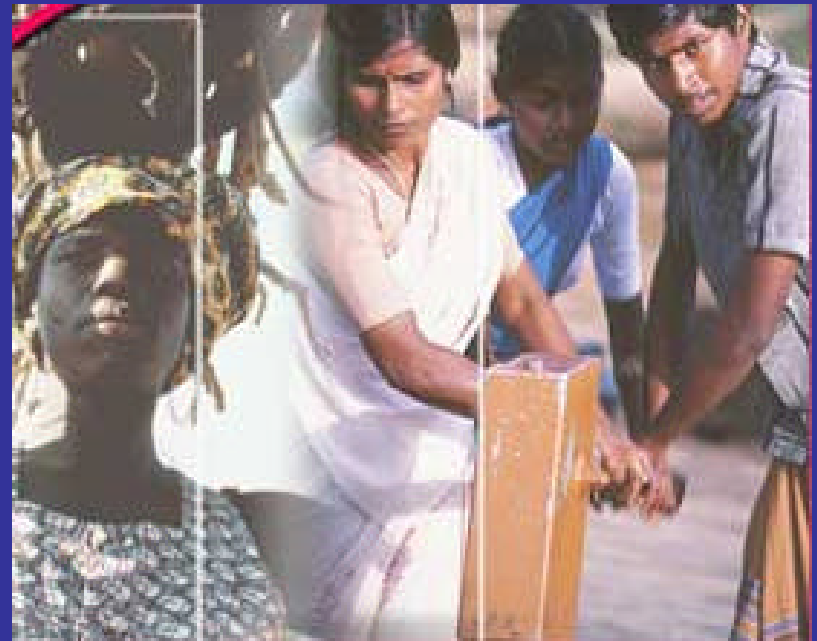


# Labor Market Policy Core Course

## *Gender Policies in Wage or Formal Labor Markets*

*Elizabeth M. King*

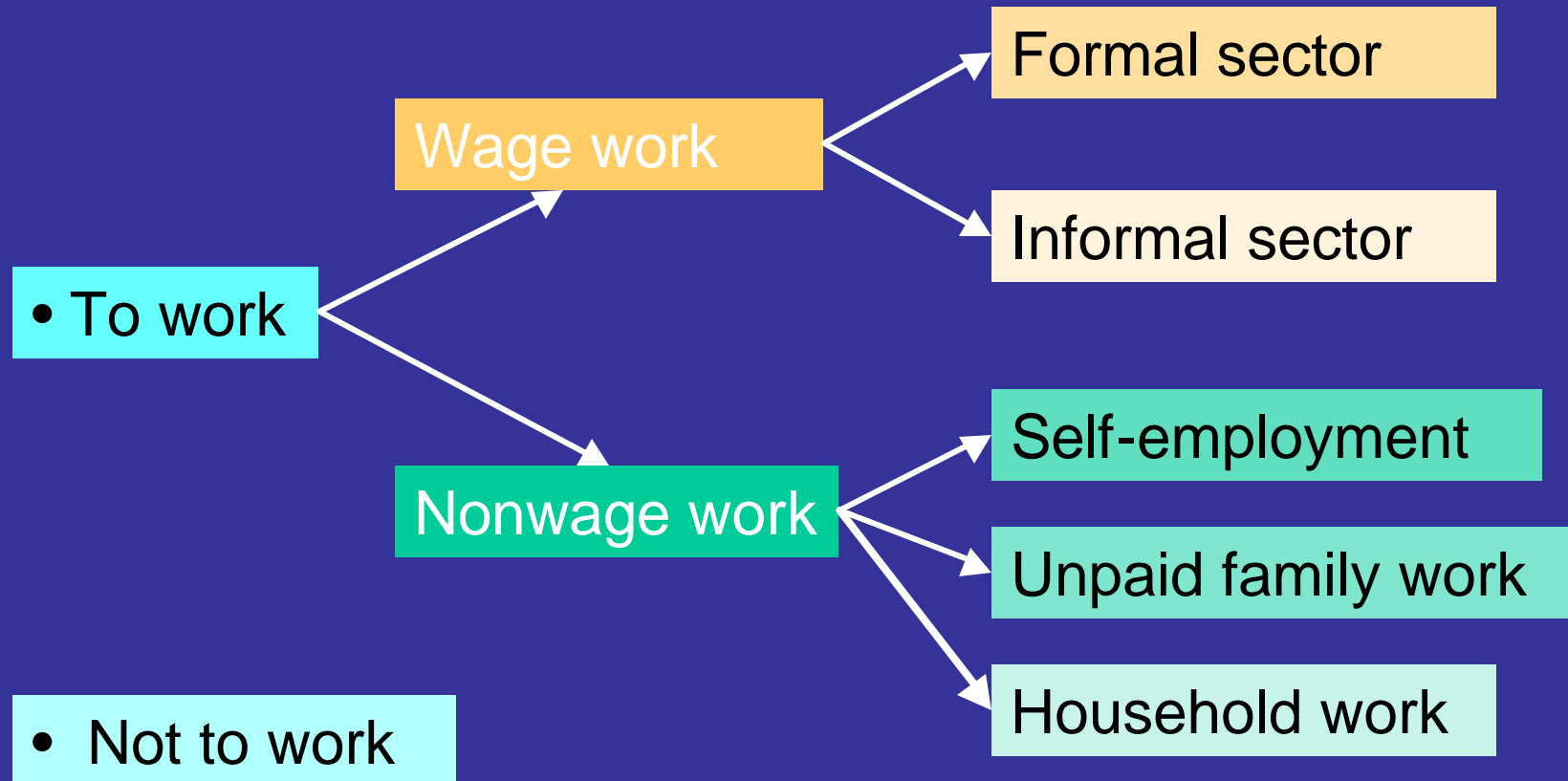
*April 30, 2002*



# Content (1)

- Gender differences in labor supply, occupation, and earnings
  - Trends
  - Patterns
  - Measurement issues
- Gender-related policies: content and impact

# Individuals make different labor supply choices

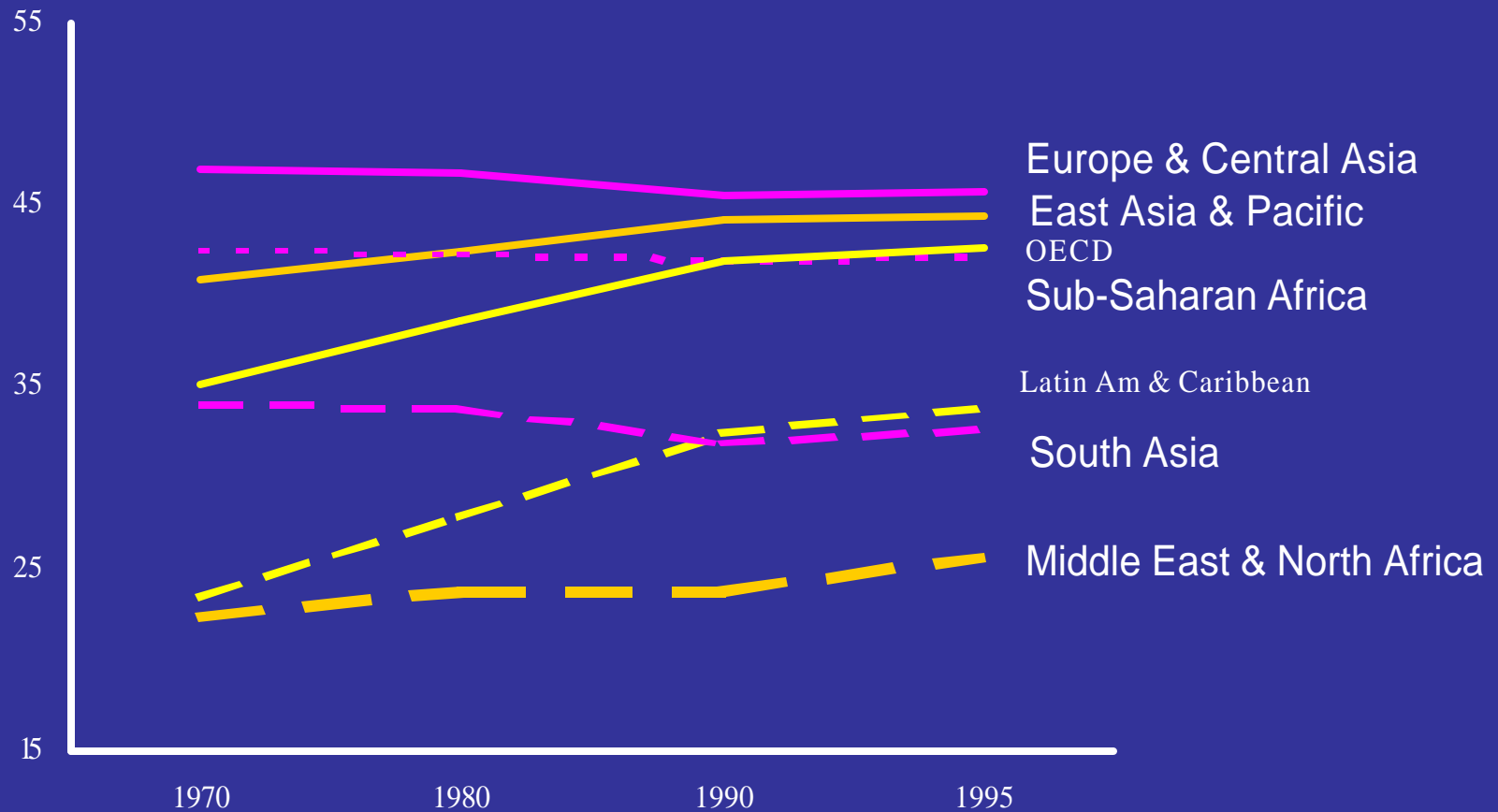






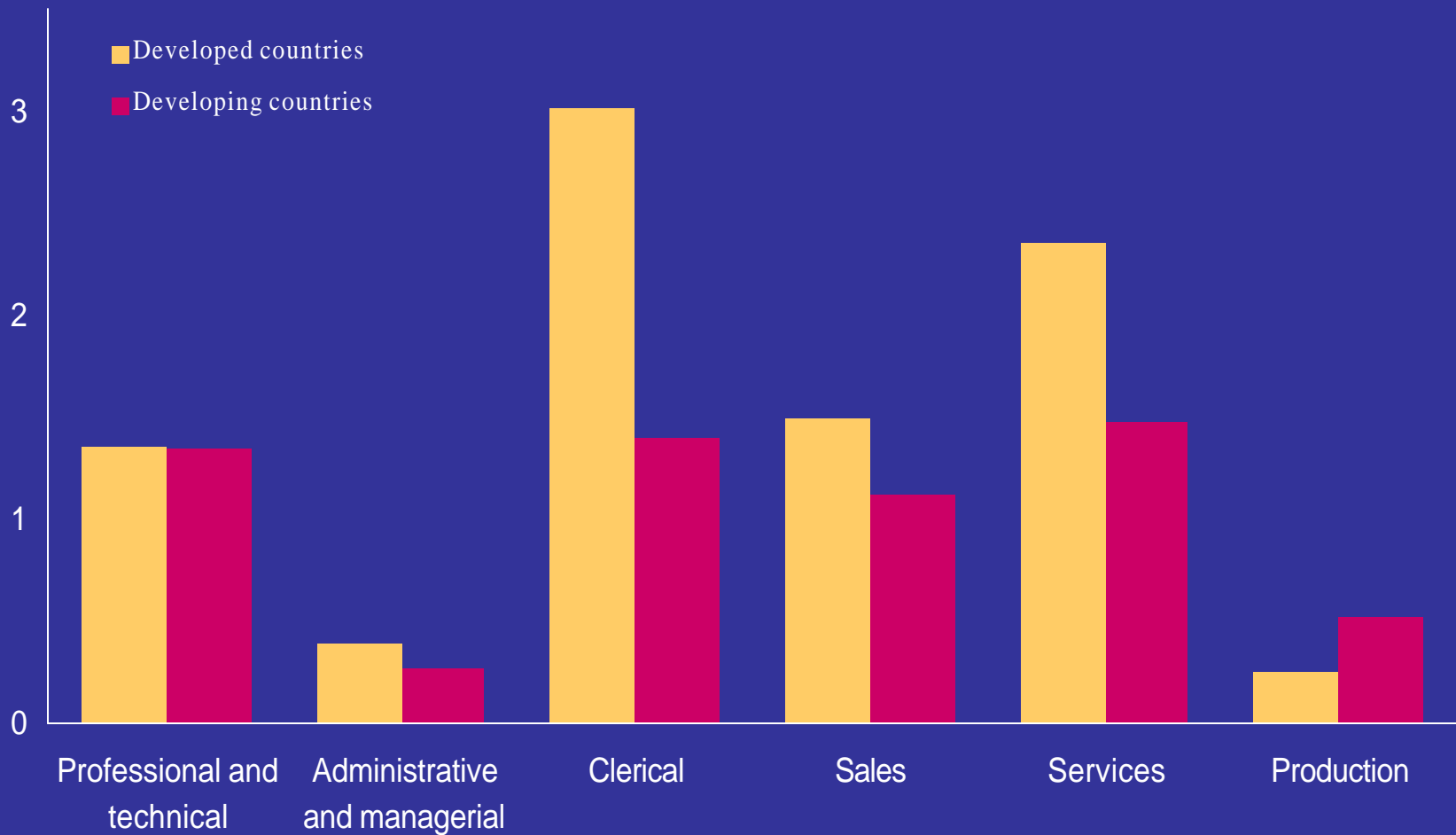
# Trend in women's share of labor force

Percent



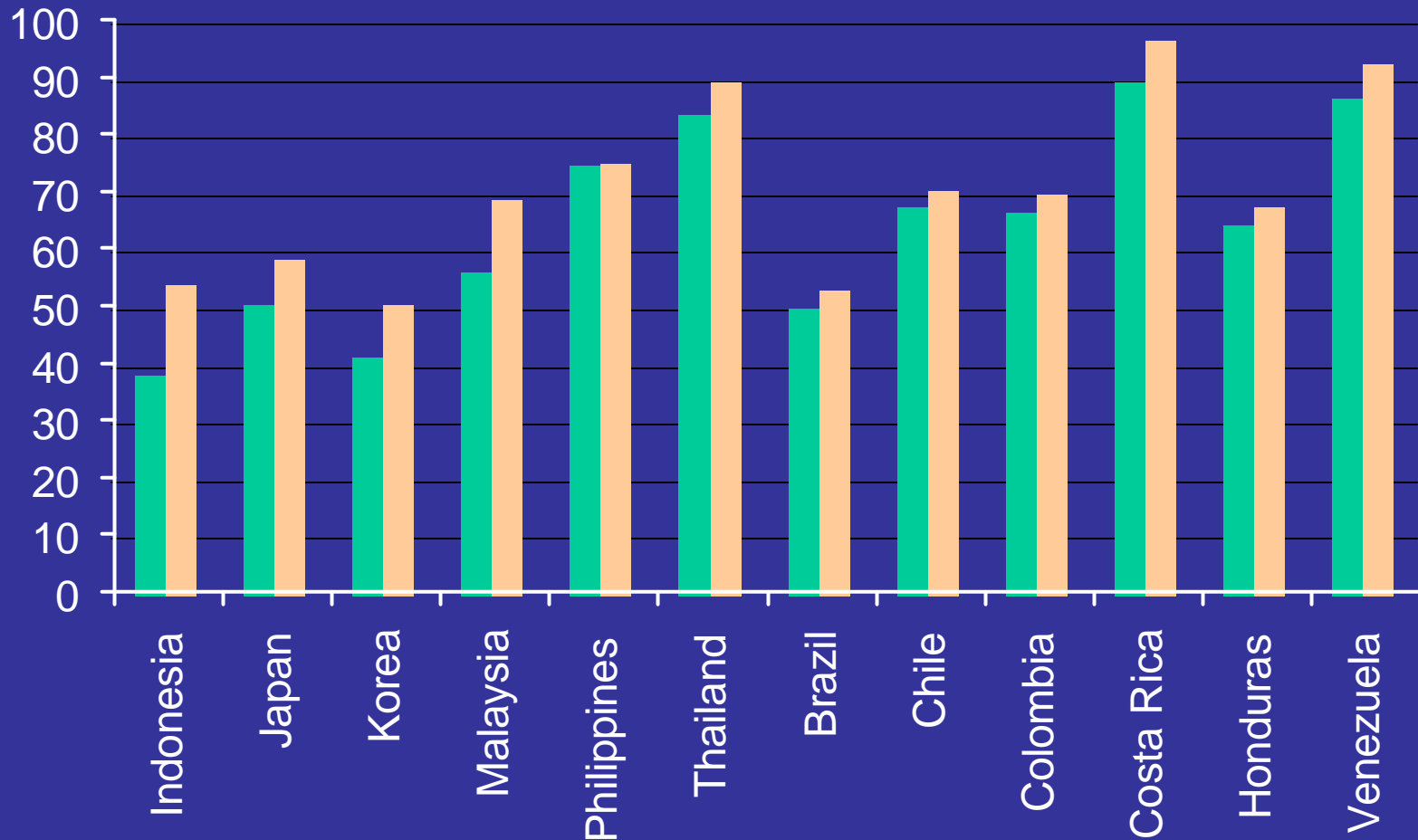
# Gender ratio in nonagricultural occupations

Female to male ratio



Source: year

# Gender wage ratios are more equal



Source: Horton 1999; data period generally pertain to 1980s and 1990s.

# Women still earn less than men – even when they have similar education and work experience

|                         | <i>Female/male<br/>earnings ratio</i> | <i>Gender<br/>gap</i> | <i>Percent of gap<br/>unexplained</i> |
|-------------------------|---------------------------------------|-----------------------|---------------------------------------|
| Developed<br>countries  | 0.77                                  | 0.23                  | 80.4%                                 |
| Developing<br>countries | 0.73                                  | 0.27                  | 82.2%                                 |

# Decomposition of gender wage gap

- Blinder-Oaxaca

$$\ln W_m = X_m b_m + e_m$$

$$\ln W_f = X_f b_f + e_f$$

$$(\ln W_m - \ln W_f) = (X_m - X_f) b_m + (b_m - b_f) X_f + (e_m - e_f)$$

- Issues:

- Which reference group?
- Self-selection into labor force affects 2nd & 3rd terms
- Measurement problem of actual work experience

# Empirical results across countries

- Within-occupations earnings gap matters more than across-occupations employment gap in:
  - Australia (Kidd 1993); Britain (Miller 1987); China (Meng and Miller 1995); Sudan (Cohen and House 1993); Taiwan (Zveglich and Rodgers 2001); United States (Bayard et al. 1999); Ethiopia, Cote d'Ivoire, and Uganda (Appleton et al. 1999)
- Interpretation: Either equal pay for equal work is not being enforced, or segregation is occurring at a more detailed level of disaggregation.

# Employment segregation by gender

|           | By industry |          | By occupation |          |
|-----------|-------------|----------|---------------|----------|
|           | 1950-60s    | 1980-90s | 1950-60s      | 1980-90s |
| SSA       | .46         | .30      | .38           | .29      |
| EAP       | .34         | .23      | .40           | .32      |
| So Asia   | .28         | .27      | .48           | .35      |
| ECA       | .32         | .31      | .25           | .27      |
| W. Europe | .37         | .32      | .42           | .42      |
| MNA       | .42         | .38      | .41           | .49      |
| Americas  | .46         | .32      | .54           | .46      |
| World     | .39         | .32      | .44           | .40      |

Source: Tzannatos 1999

## Content (2)

- Gender-related policies: content and impact
  - Working hour restrictions
  - Maternity benefits and parental leave
  - Child care support
  - Employment and pay policies
  - Pension policies
  - Public sector downsizing
  - Unionization policies

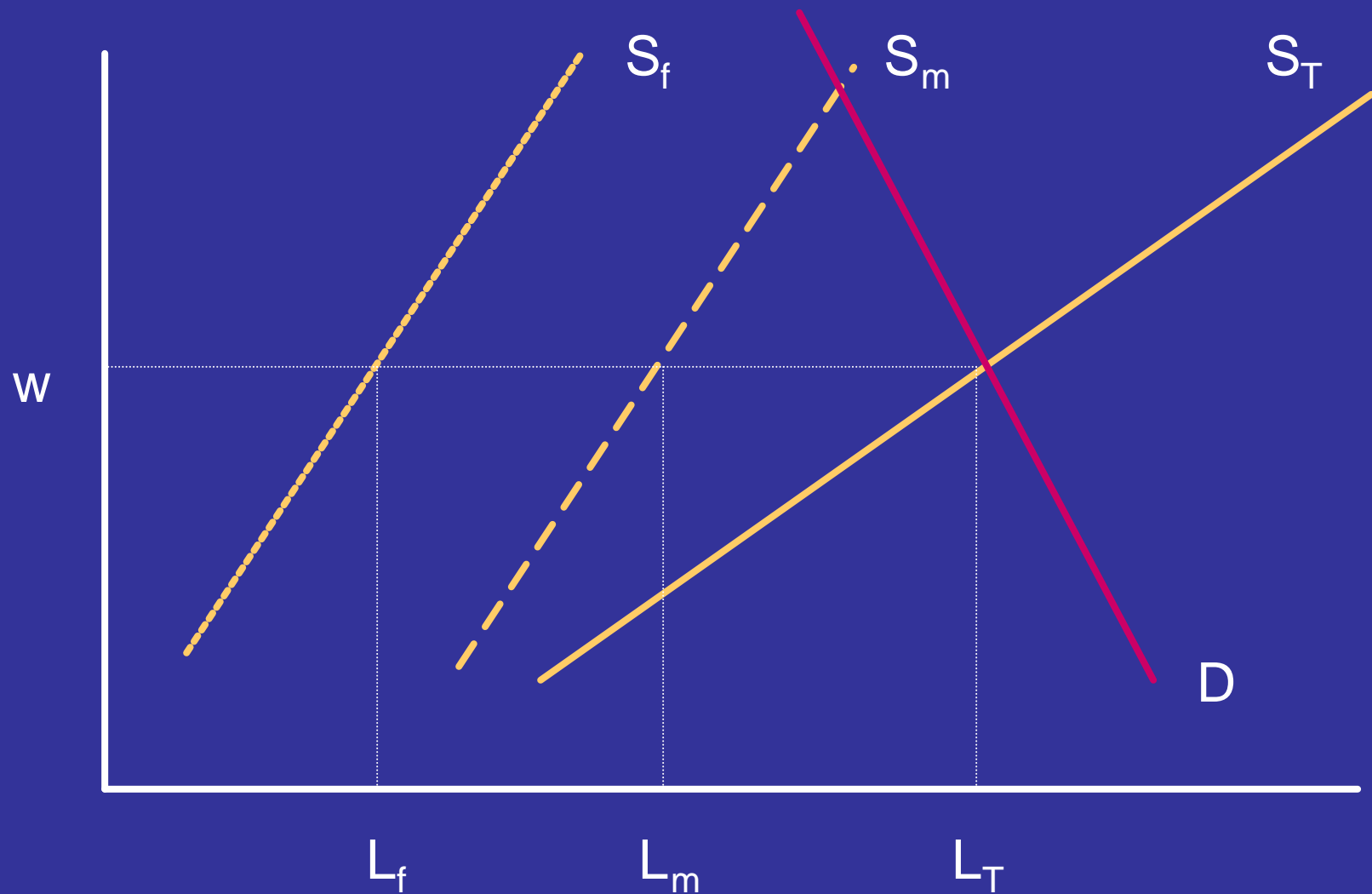
## Content (2)

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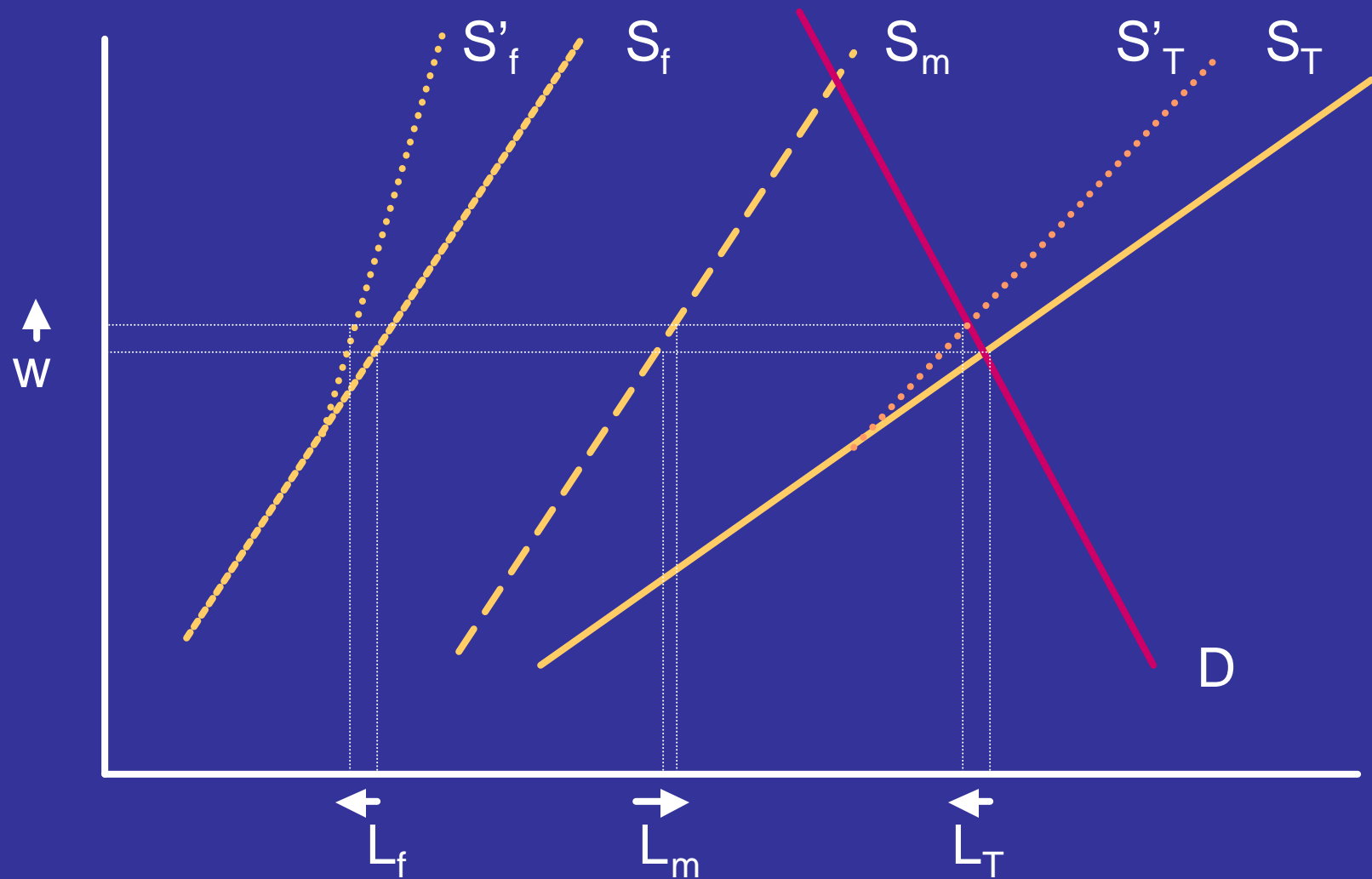
# Restrictions on working hours

- Brief history
- ILO conventions
- Current prevalence

# How will restrictions on work hours affect male & female employment and pay?



How will restrictions on work hours affect male & female employment and pay?



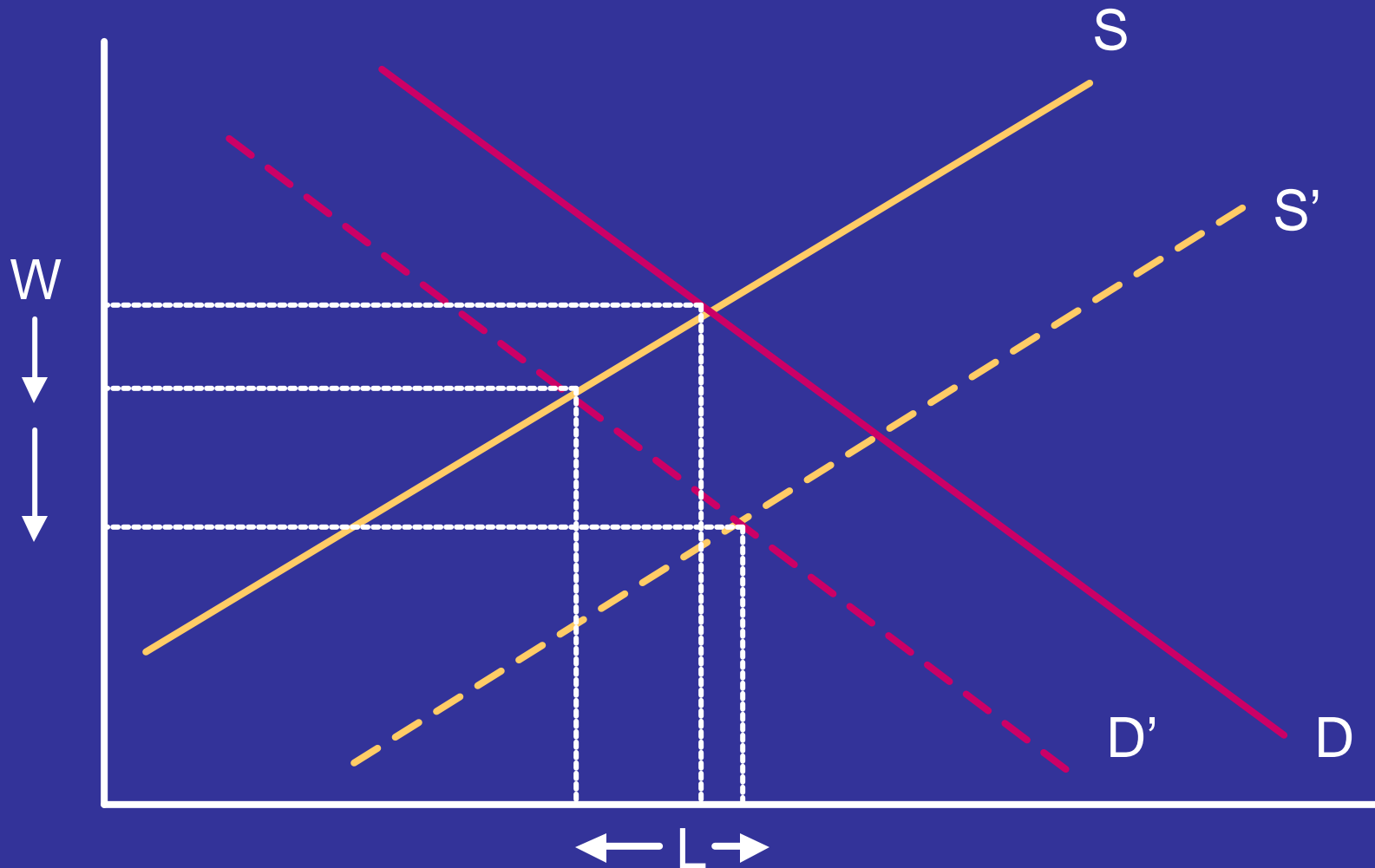
# Empirical evidence

- United States in the early 1900s
  - Landes (1980): female employment ↓ as female hours ↓
  - vs. Goldin (1988): female employment ↑ as women desired shorter work days
- Today's developing countries:
  - Taiwan: female hours and employment ↓ only after Labor Standards Law was enforced (Z, R, R 2001).
  - Other countries: scant evidence

# Maternity benefits and parental leave

- Brief History
- ILO Conventions
- Current Prevalence

# How will maternity benefits affect female employment and pay?



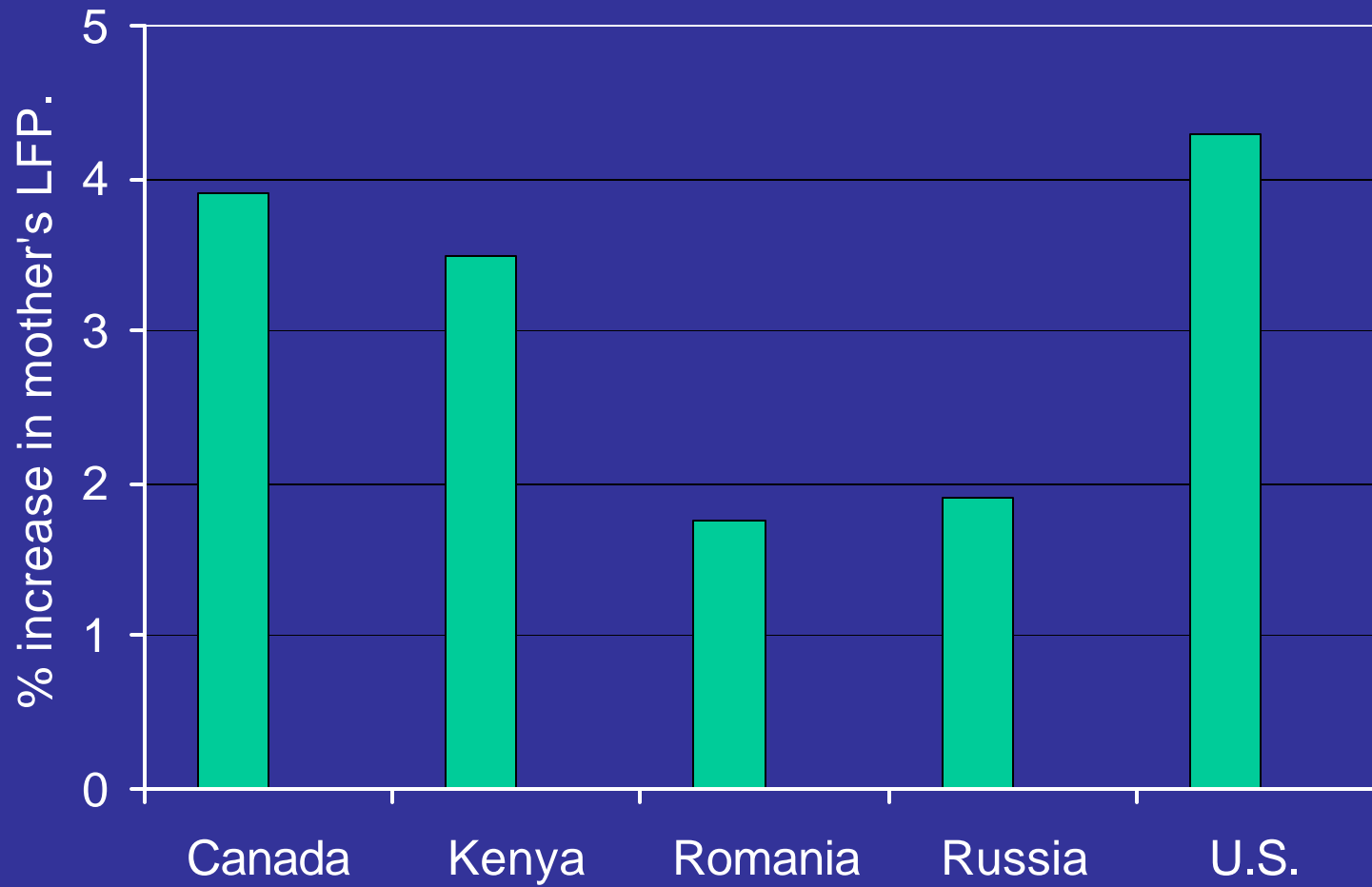
# Empirical evidence

- United States and Europe (K 1998, R 1998, W 1999, G 1994).
  - Employment  $\uparrow$  by up to 4%; magnitude rises as benefits become more generous.
  - Wage  $\uparrow$  if benefits are voluntary; Wage  $\downarrow$  or no change if benefits mandated, by as much as 5%.
  - Hours worked  $\uparrow$ .
- Taiwan (Z,R,R 2001): Employment and hours  $\uparrow$ , no significant wage change. Enforcement matters.
- Costa Rica (G&C 1997): Wage  $\downarrow$ , no significant employment change. Enforcement matters.
- Malaysia and Bangladesh (B&G 1997, World Bank 1995): Raising worker awareness is important for compliance.

# Support for child care

- Prevalence in developing countries
- Prevalence in richer countries
- Economic impact

# Lower child care costs put more mothers in the labor market



# Employment and pay policies

*Equal pay, comparable worth, equal opportunity, affirmative action*

- Brief History
- ILO Conventions
- Current Prevalence

# How do equal employment and pay policies affect men & women?

- Equal pay (Tzannatos, 1999):
  - More successful where collective bargaining is common and pay rates are legislated (e.g. Australia, Britain, Canada); less successful where wage setting is decentralized (e.g. U.S.)
  - Comparable worth: state-level evidence for US shows improvements in women's relative pay
  - Developing countries: little or no impact (e.g. Sudan, Taiwan).
- Equal opportunity and affirmative action: inconclusive evidence due to methodological difficulties

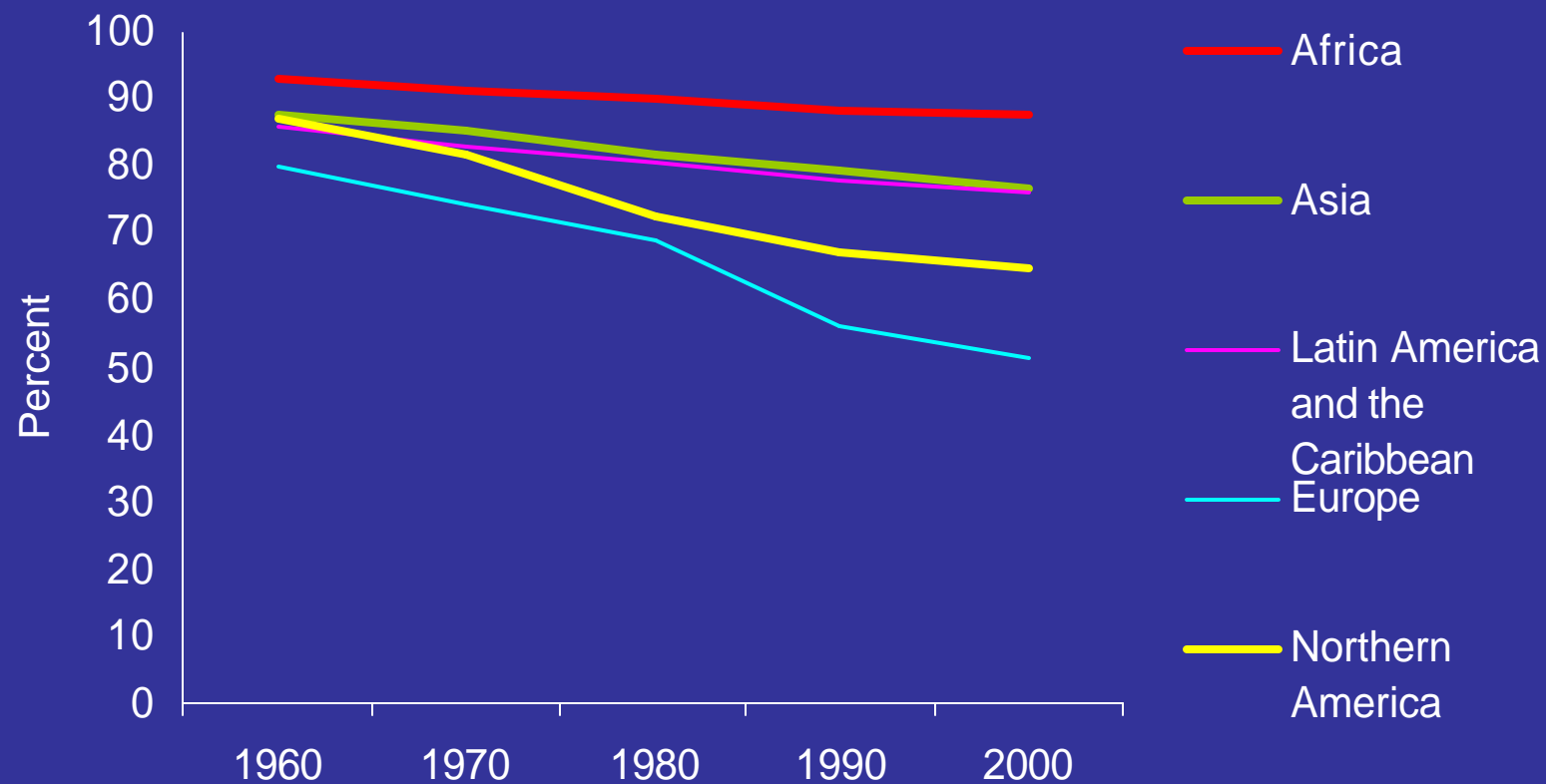
# Old-age support systems

## *Social security reform*

- Developing country systems more informal
- Formal systems in richer countries
- Design matters

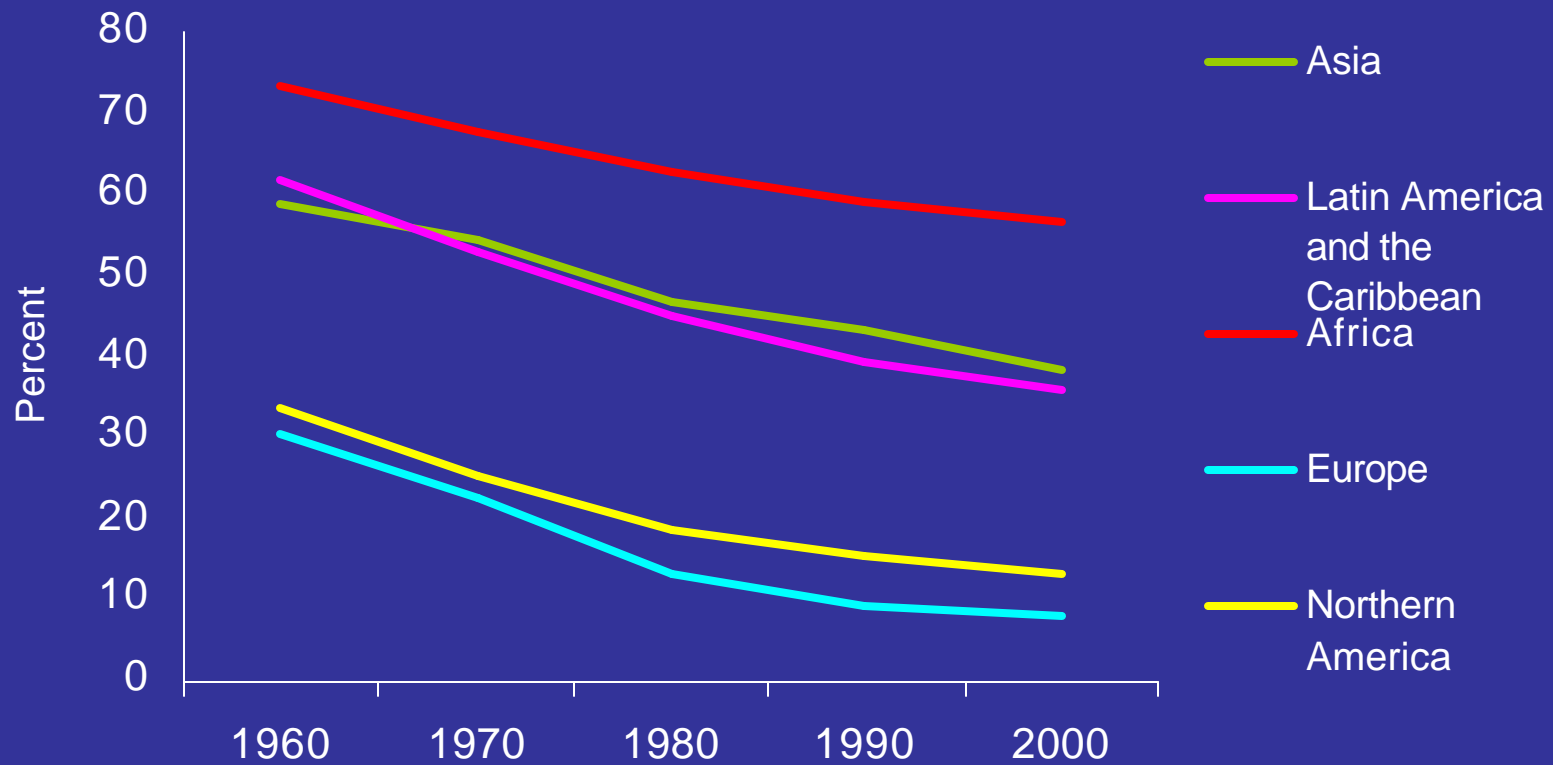
# Labor force trends among mature adults

Men's labor force participation rates, age 55 - 64



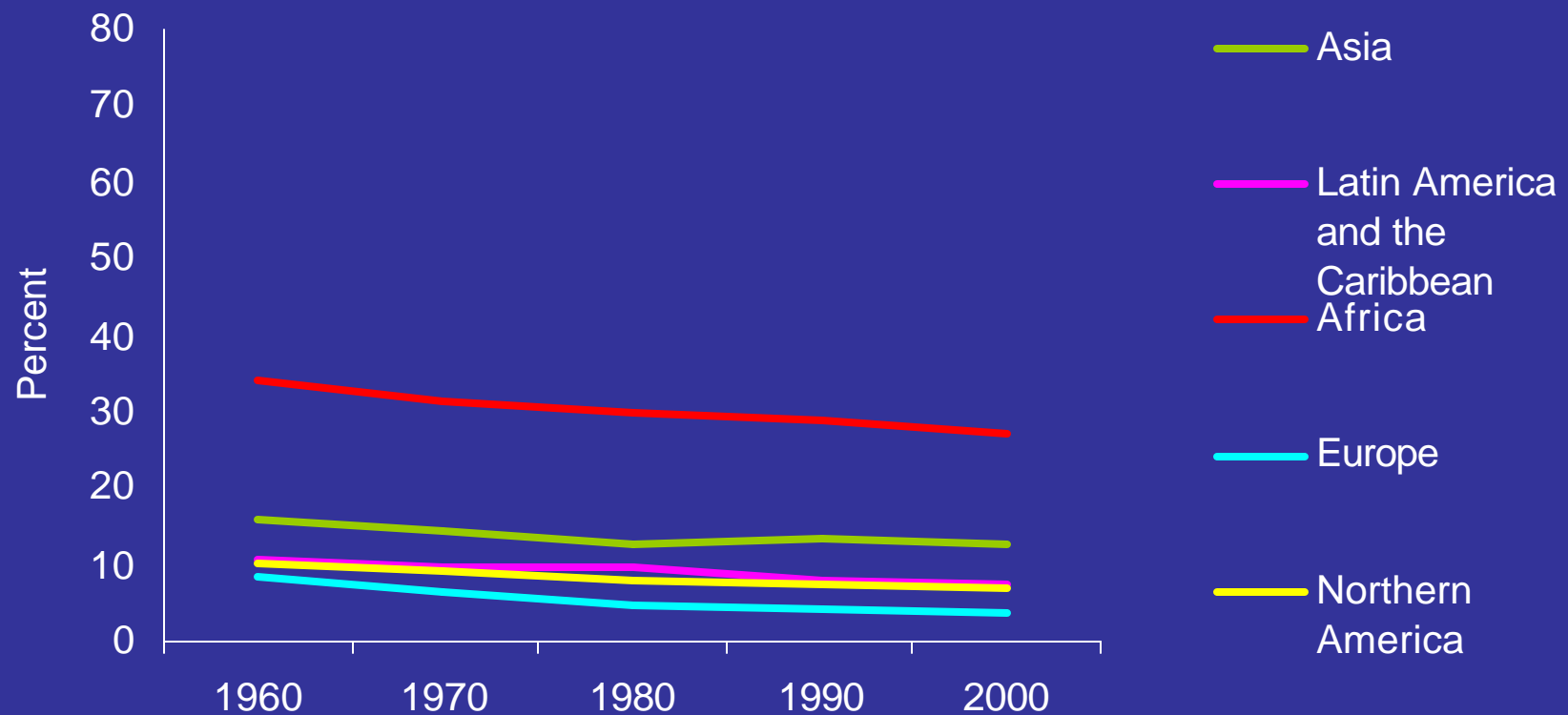
# Labor force trends among the elderly

Men's labor force participation rates, age 65 and over



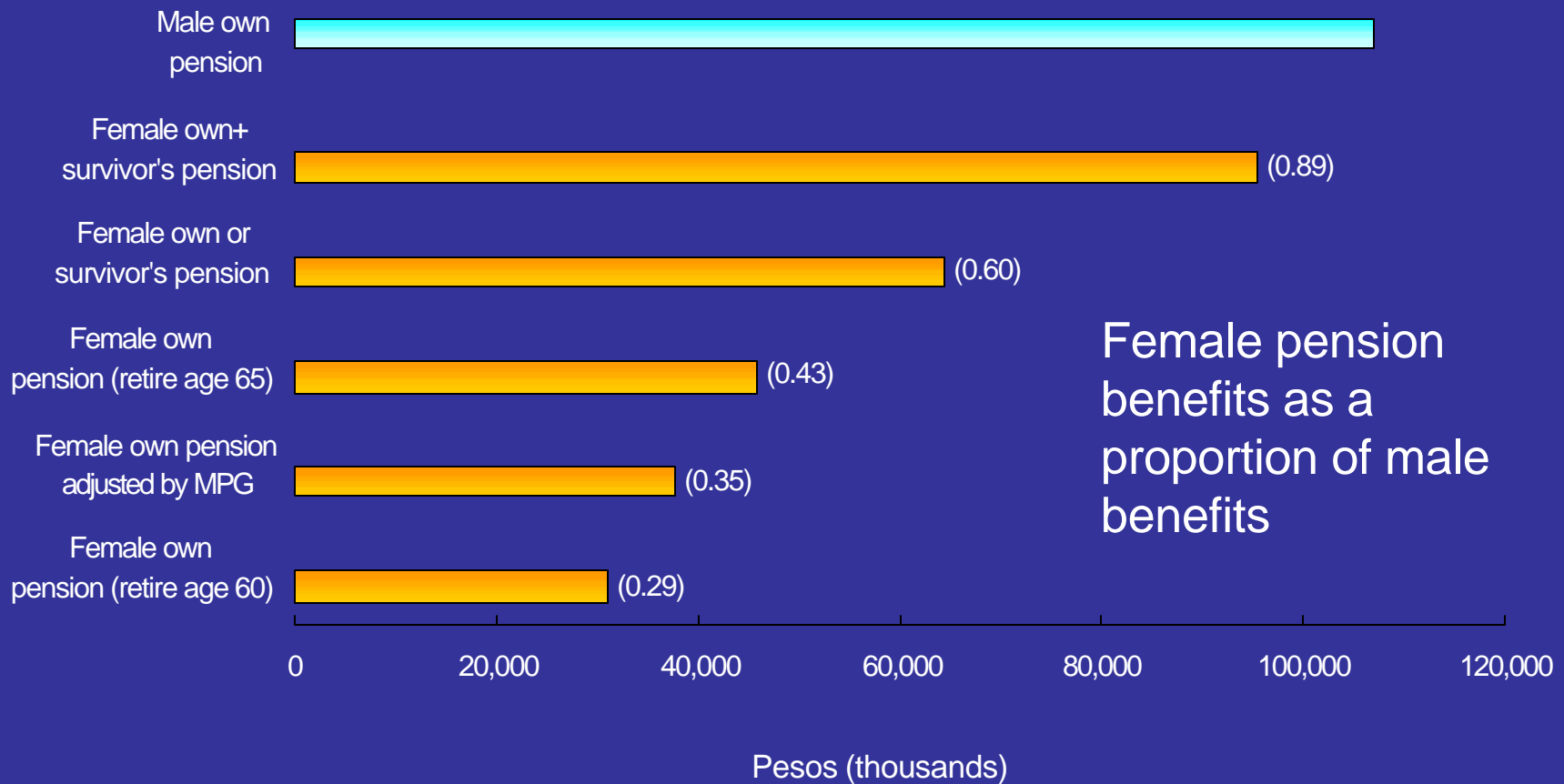
# Labor force trends among the elderly

Women's labor force participation rates, age 65 and over



# Design matters for gender equality in pension benefits

Pension income for average workers with incomplete primary education  
(female/male ratio in parenthesis)



## Public sector downsizing

Shift from state-led development to markets will

(1) increase female wage employment

Vietnam: In 1990s, prediction did not hold, mostly due to unequal gender impact of program; maybe yes in the long run

## Public sector downsizing

Shift from state-led development to markets will

- (1) increase female wage employment
- (2) increase gender wage gap if returns to education rise, or decrease gap if employers discriminate less

Vietnam: In 1990s, effect from higher returns to education was small; overall gender gap narrowed

## Public sector downsizing

Shift from state-led development to markets will

- (1) increase female wage employment
- (2) increase gender wage gap if returns to education rise, or decrease gap if employers discriminate less
- (3) cause larger earnings loss for women than men

Vietnam: Gender wage gap smaller the public sector, but women more likely to lose public sector jobs.

# Public Sector Retrenchment in Vietnam, 1991

## Current Activity:

### *Up to 12 months after job switch*

|        | Total | Unpaid Work | Paid Work | Seeking Work | Out of Labor Force |
|--------|-------|-------------|-----------|--------------|--------------------|
| Female | 100%  | 48%         | 9%        | 1%           | 43%                |
| Male   | 100%  | 53%         | 11%       | 0%           | 36%                |

### *More than 12 months after job switch*

|        | Total | Unpaid Work | Paid Work | Seeking Work | Out of Labor Force |
|--------|-------|-------------|-----------|--------------|--------------------|
| Female | 100%  | 74%         | 14%       | 1%           | 10%                |
| Male   | 100%  | 70%         | 22%       | 0%           | 7%                 |

## Unionization policies

- Out of the total membership of the International Confederation of Free Trade Unions (ICFTU) of 156 million in 148 countries, women make up 39%.
- Women make up 1% percent of union leadership.

## Summary

- Generally rising female LFP in the market, with a shift into white-collar occupations and certain previously male-dominated occupations
- Relative pay has risen for women in EA & LA – although inequalities remain
- Labor market policies, *whether gender-specific or not*, have unequal consequences on men & women with respect to pay, employment, or occupation