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THE EFFECT OF ENDOGENOUS VS. EXOGENOUS LABOR MARKET FLEXIBILITY ON GENDER WAGE GAPS

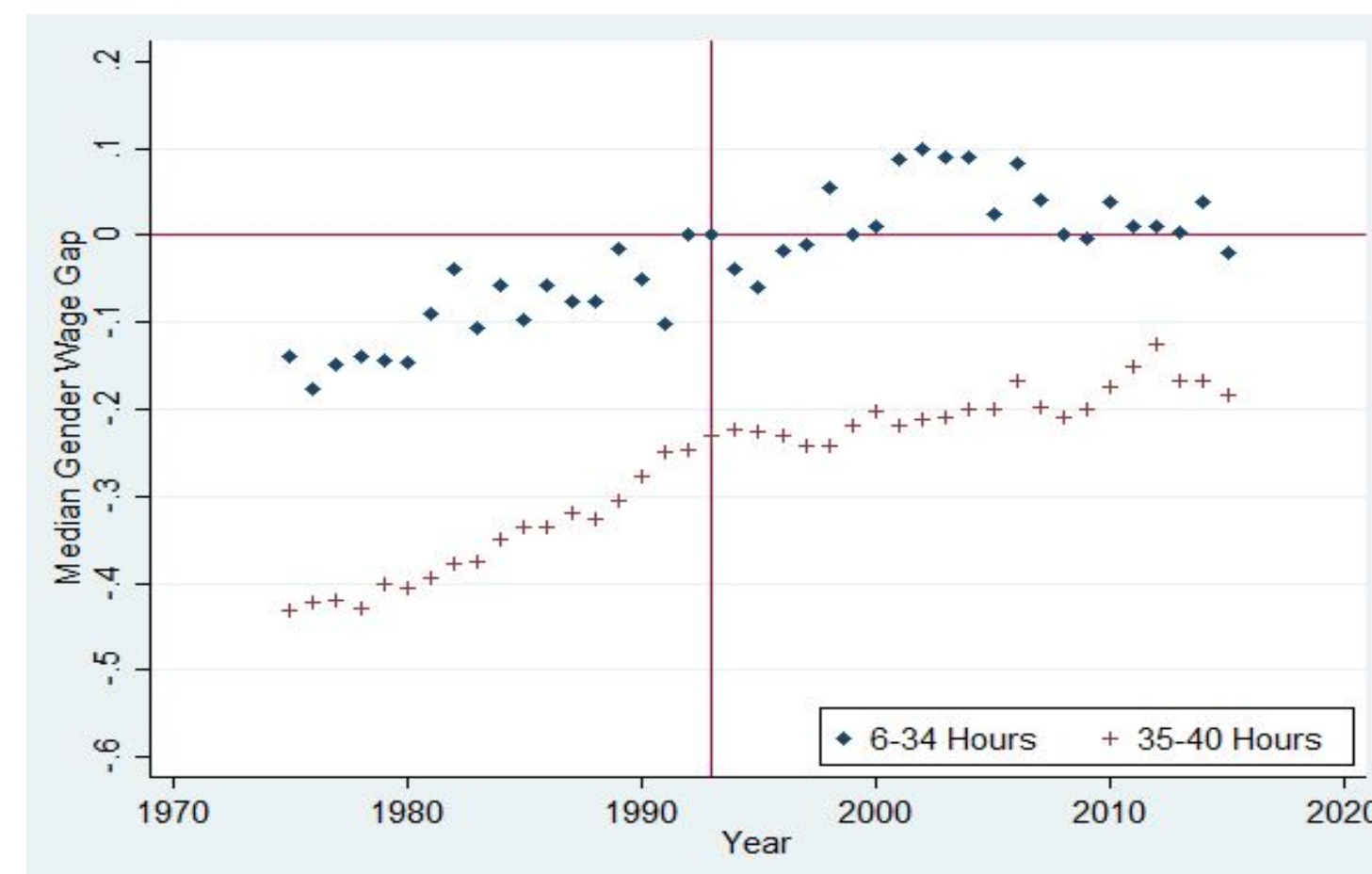


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INTRODUCTION

In this paper we document the following striking facts relating to the time trends in gender wage gaps for part-time, full-time, and over-time workers in the US from 1976-2016:

1. The unconditional gender wage gap among part-time workers is 20%-30% smaller than the gender wage gap among full-time and overtime workers.
2. The uncontrolled median gender wage gap among all workers declined evenly from 1976-1993, and stabilized after 1993.
3. The stagnation in the decline of the gender wage gap coincides with the passing of the Family Medical Leave Act (FMLA) in 1993.
4. In the absence of this trend break, full gender wage parity would have been achieved in 2007 for women in full-time work.
5. Despite this break in trend, there is today gender wage parity for women in part-time work.



THEORETICAL HYPOTHESIS

Our hypothesis draws from both Pitts and Goldin

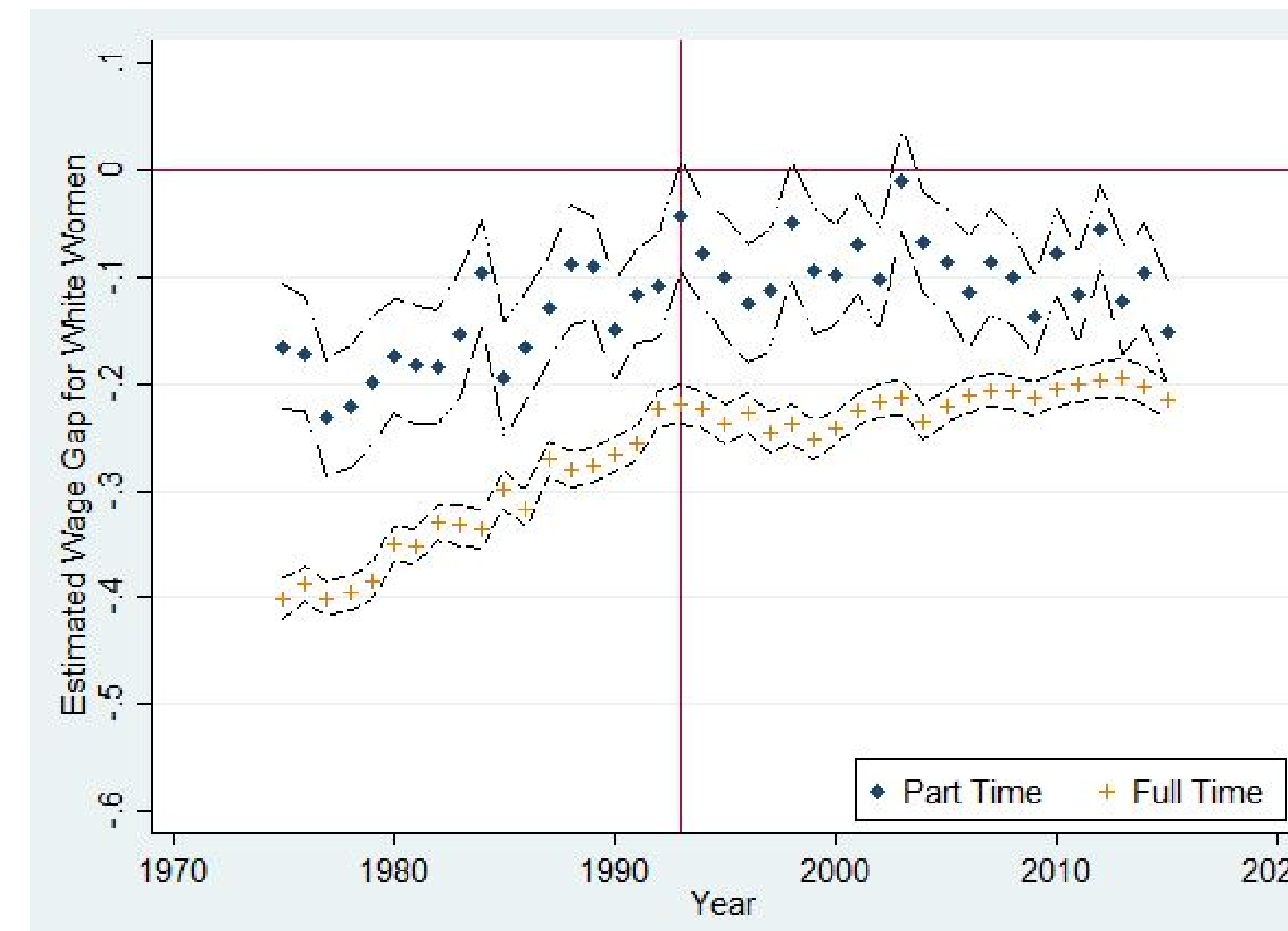
- Goldin (2014) argues that gender wage gaps are driven by hourly wages non-linearly increasing in the quantity of hours by comparing full-time and over-time workers.
- We take the same lens to study part-time workers, expecting smaller gender wage gaps.
- If women demand more flexibility in their jobs, then wage gaps will be smaller for women in inherently flexible jobs because the flexibility amenity will be cheaper in this setting.
- We argue that part-time jobs are more flexible than full-time or over-time jobs.
- Another explanation could be selection on observable or unobservable characteristics.
- Smaller part-time gender wage gaps can also occur if part-time work is less regulated than full-time work. Larger gender wage gaps in full-time work capitalize the differential benefits of labor regulation to women.

SELECTION ON OBSERVABLES

In our main empirical specification, we use data from the ASEC Supplements of the CPS (1976-2016) to run a Mincer wage regression in which we control for observable worker characteristics:

$$\log(w_i) = \alpha_0 + \beta_1 WW_i + \beta_2 BW_i + \beta_3 BM_i + \gamma \mathbf{X}_i + \epsilon_i \quad (1)$$

- BM, WW, BW are dummy variables equal to 1 if the individual is a black man, white woman, or black woman, respectively.
- \mathbf{X} is a vector of control variables including: age as a quadratic, education fixed effects, state fixed effects, and 3-digit occupation fixed effects, ϵ is the error term.
- The regressions are run separately for each year and for each hours-worked category.



- Selection on observables accounts for some of the difference between the median part-time gender wage gap and the median full-time gender wage gap.
- Still the part-time gap is smaller than the full-time gap.
- A similar pattern holds for black women. However, we do not observe a difference in the wage gaps between black and white men in part-time versus full-time work.
- The legislative burden of the FMLA stagnated gender wage convergence between women and men.

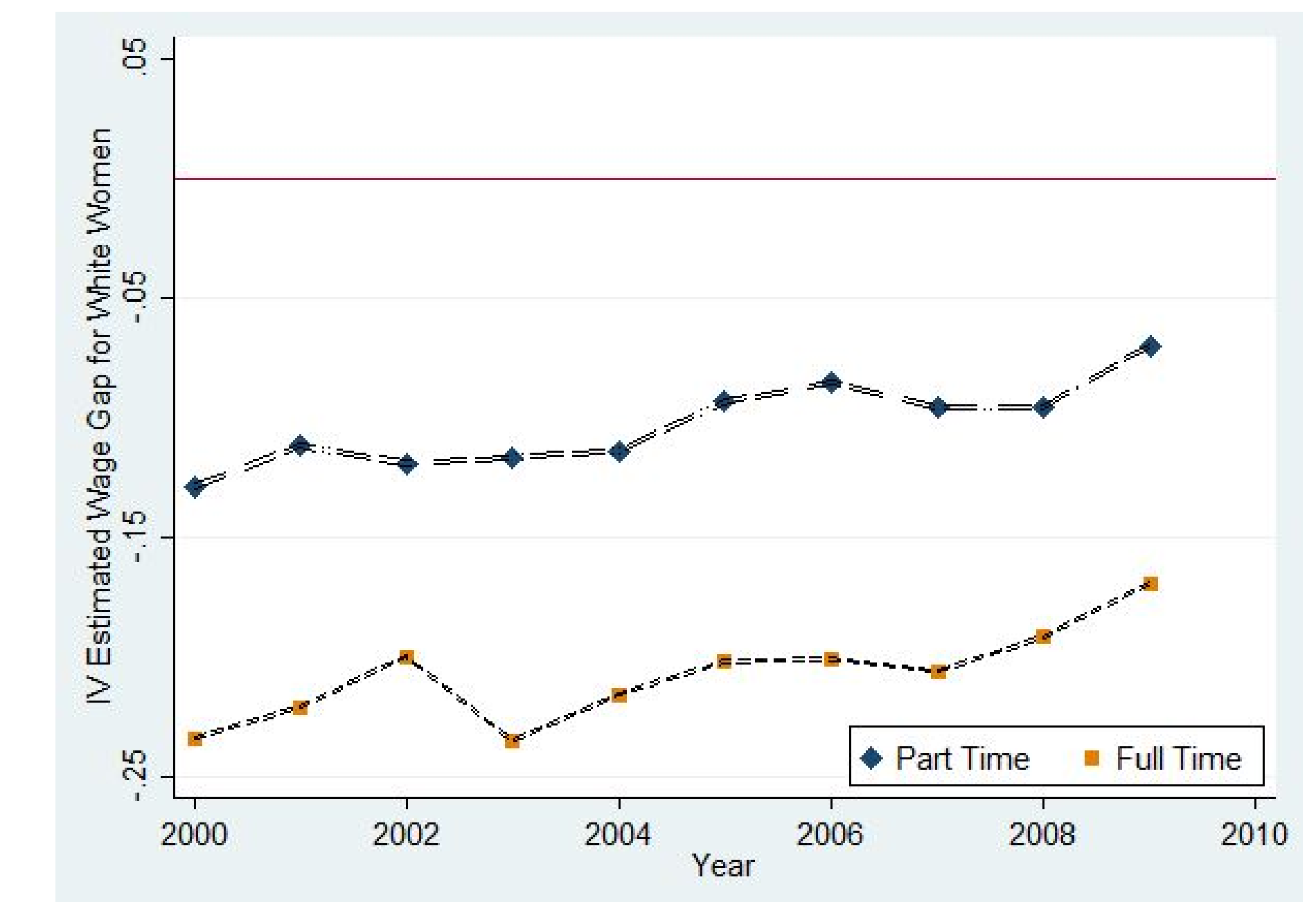
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SELECTION ON UNOBSERVABLES

A key unobservable that may explain the difference in the part-time and full-time gender wage gap is worker ability. To correct for selection on this unobservable, we use state and federal marginal rates for other workers in the state as an instrument for hours worked.

- Tax rates are relevant for labor supply decisions.
- The average state tax rates are calculated using Taxsim9.
- The first stage is a weighted OLS with hours as the dependent variable regressed on the average state and federal marginal rate for other workers in the state and controls.
- The second stage is the same as Equation 1 but with workers sorted by their predicted hours of work.



- When we correct for unobservables, we see that the difference in the gender wage gaps becomes slightly smaller.
- However, the differences between the gender wage gaps for part-time and full-time workers remain large.

CONCLUSION

Examining the part-time and full-time gender wage gap in an uncontrolled setting and controlling for observables and unobservables, reveals remarkably similar patterns in the gender wage gap.

- This is demonstrated via smaller controlled gender wage gaps in part-time jobs than in full-time jobs.
- This is an important result because it confirms that a demand for flexibility is a driving force in the gender wage gap.

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Pitts, M. M. Why choose Women's Work if it Pays Less? A structural Model of Occupational Choice. *Worker Well-Being and Public Policy*.