

Women in the Labour Force: How well is Europe doing?

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Progress so Far

- Women have made important advances but a lot remains to be done
- EU wants 60% of women of working age in jobs by 2010 (the Lisbon target)
- It wants equality of employment opportunity
- And equality of pay

Questions

- Where are we?
- Will we make it to Lisbon (and Barcelona and Stockholm)?
- Can policy help?
- Should it help?

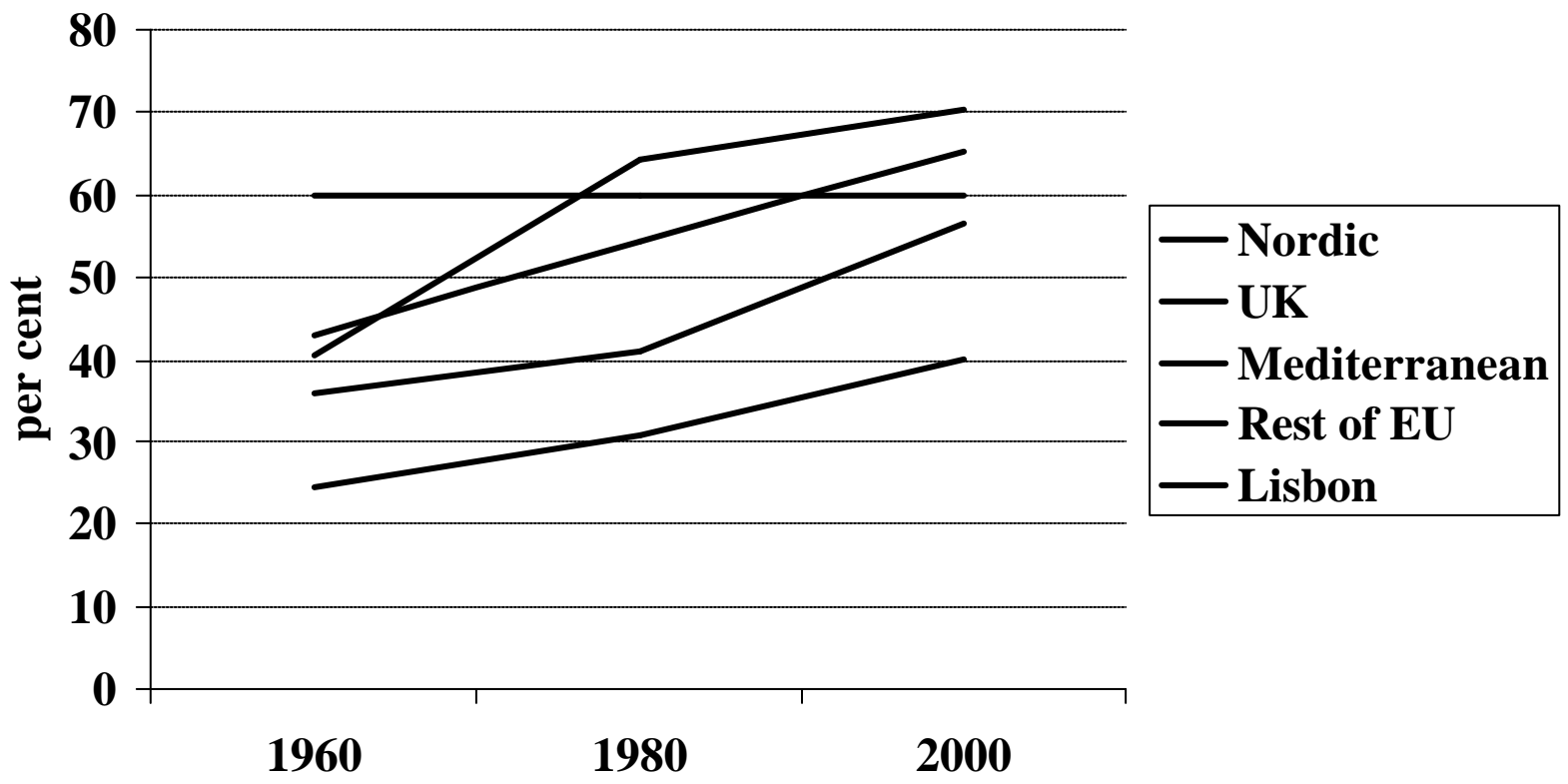
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2. Women's employment rates
3. Types of jobs held by women
4. Earnings and wage gaps
5. Consequences for other groups
6. Policy conclusions

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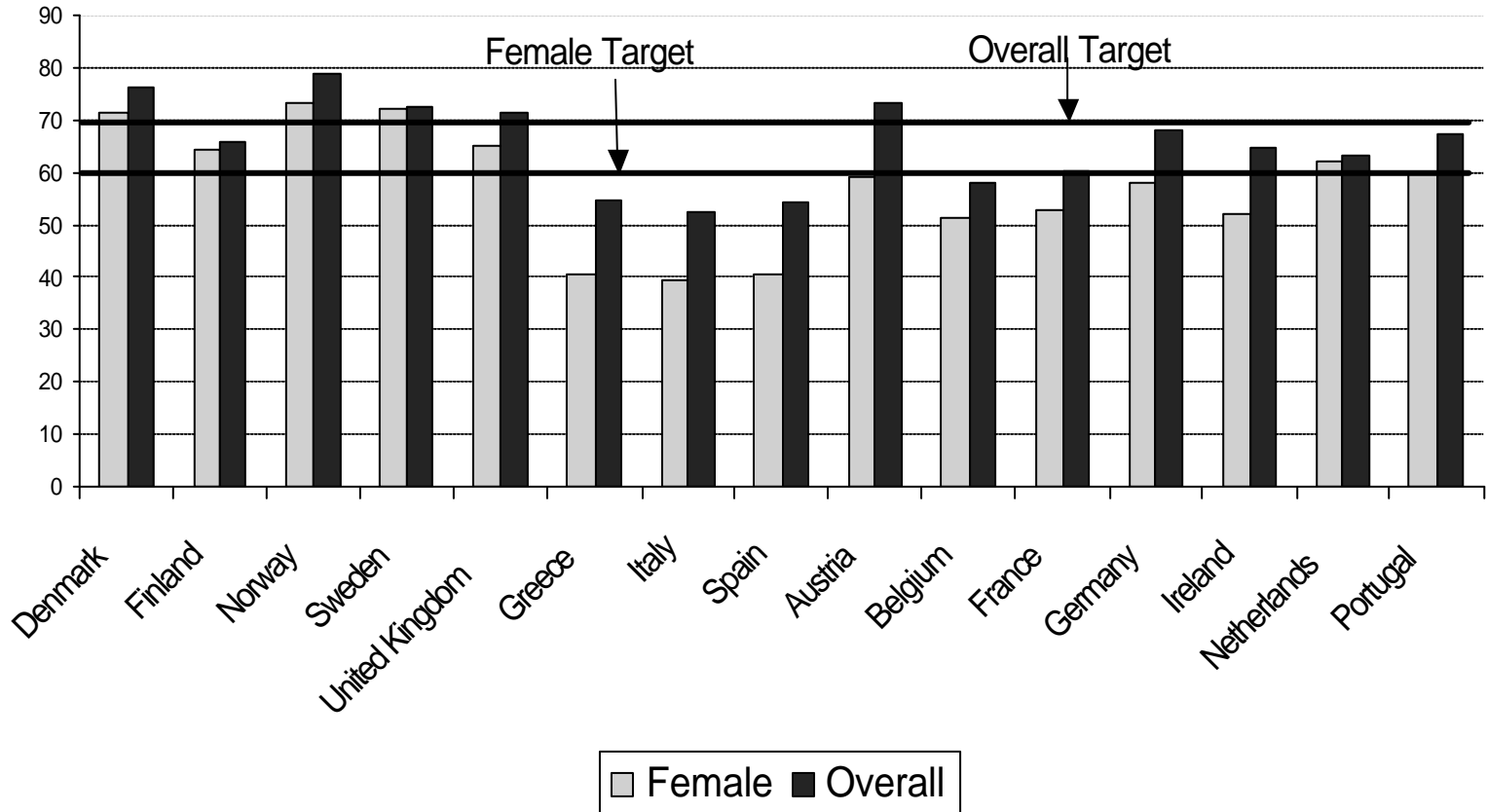
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Female Employment Rates

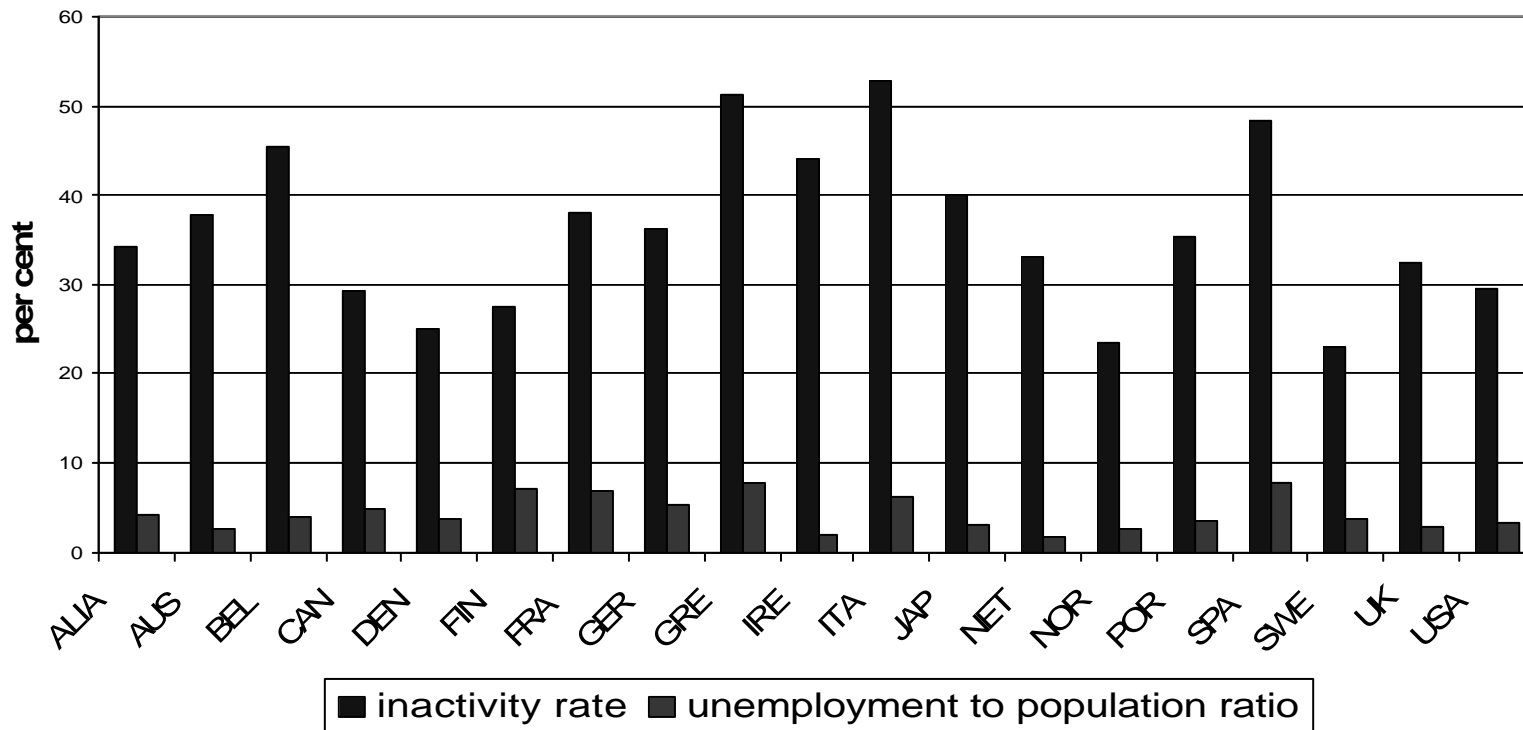


Catching up with Lisbon?

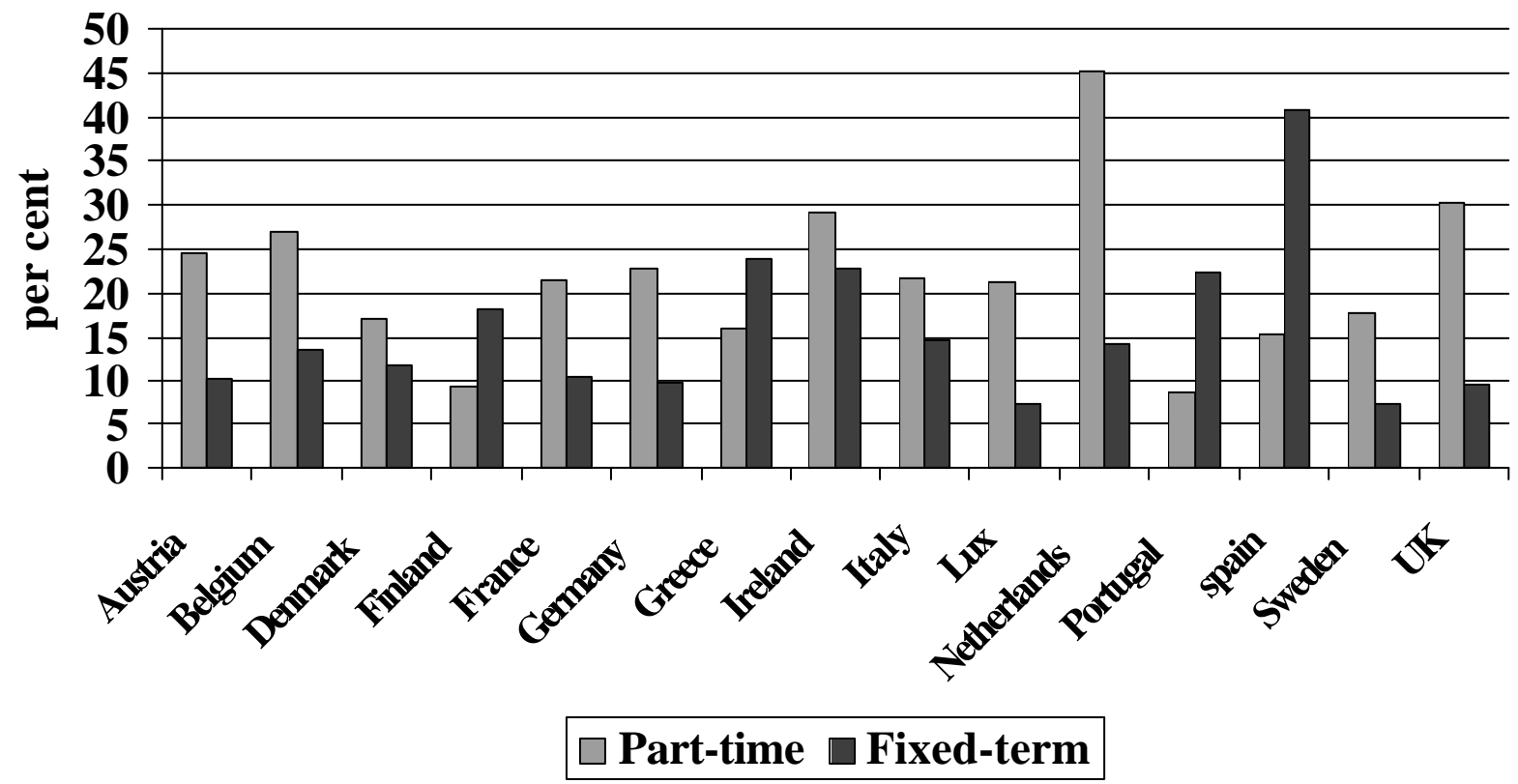
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Where are the non-employed?

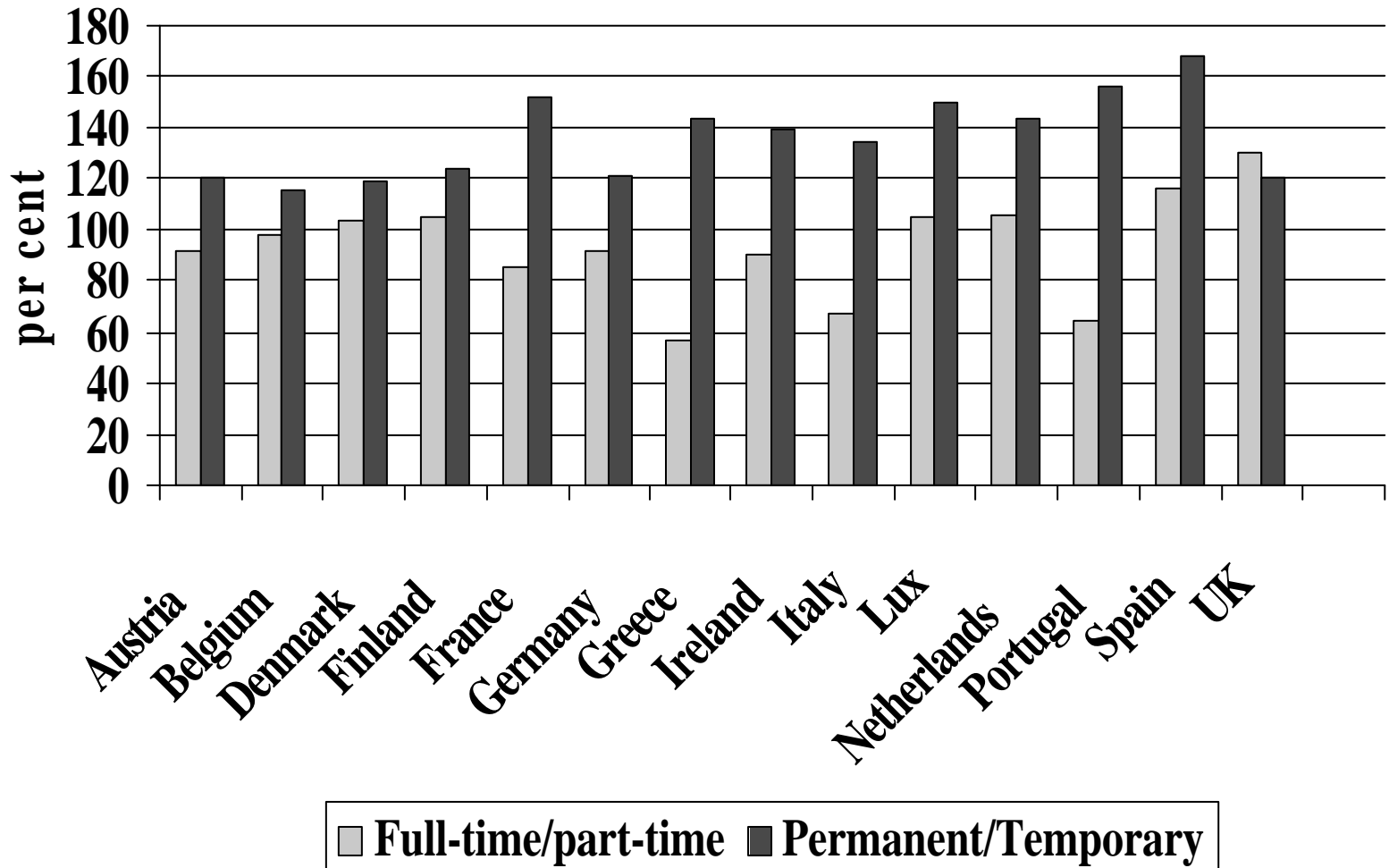


What jobs do employed women hold?



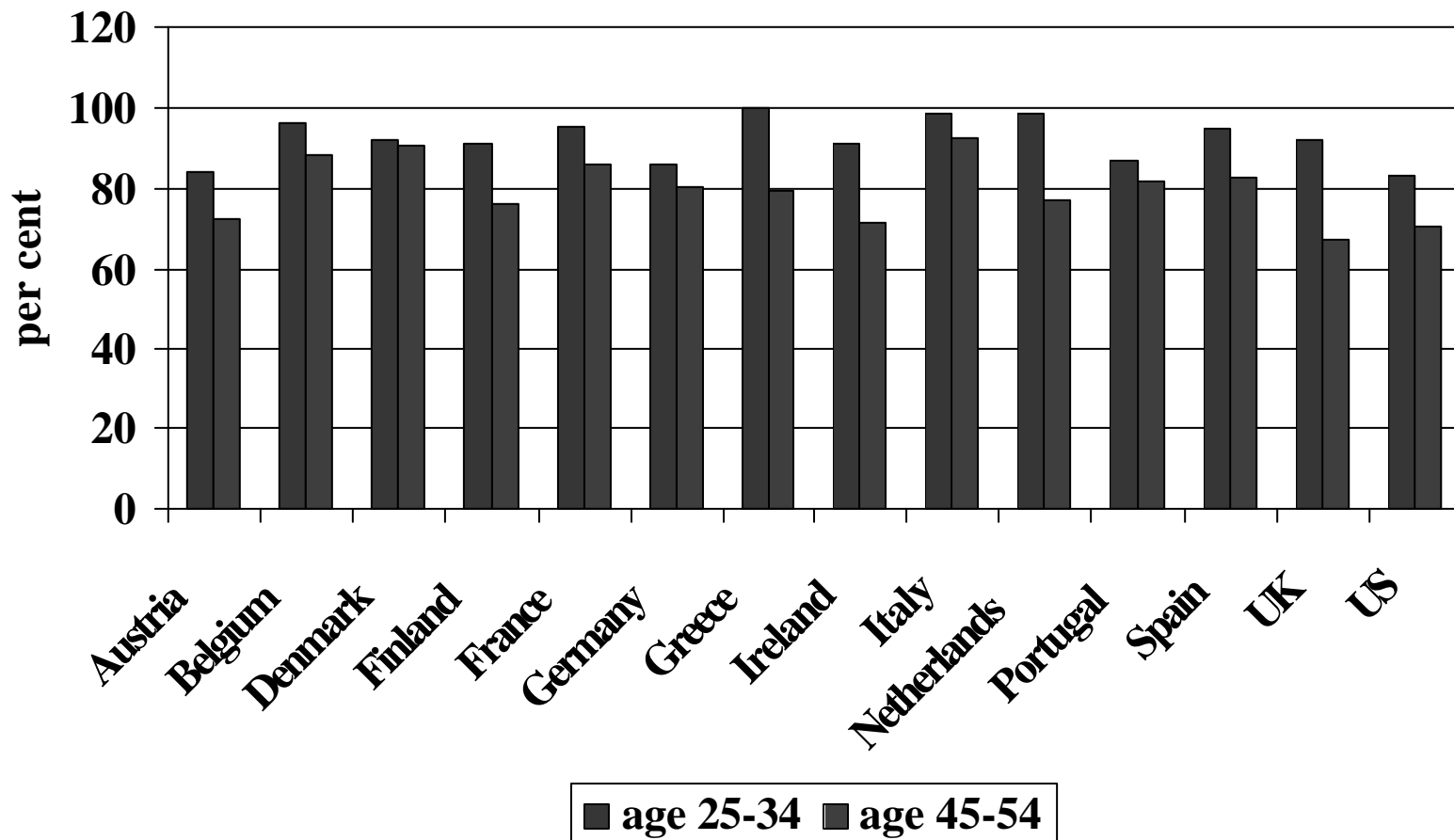
How much do they earn in each job type?

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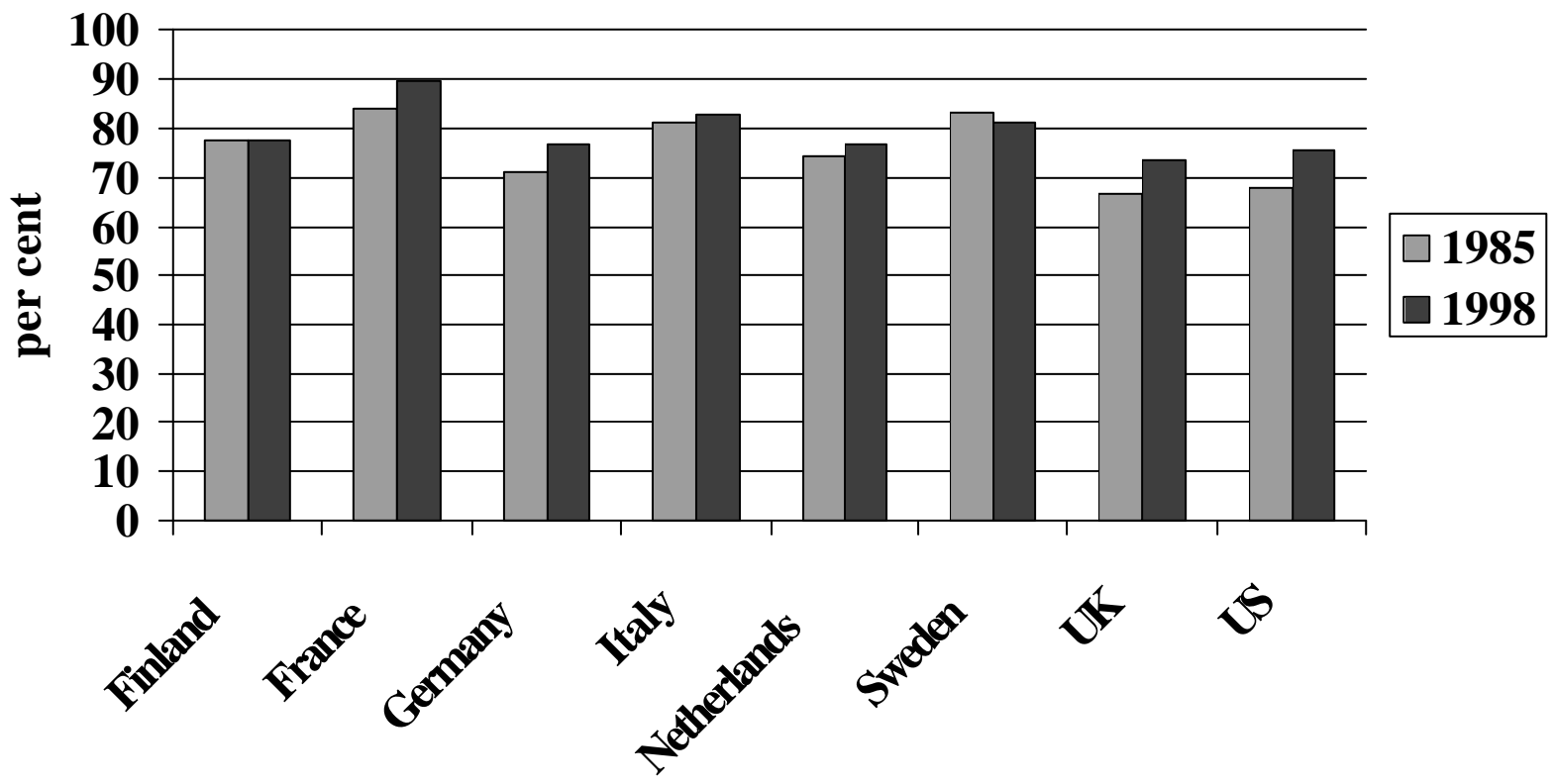


The gender wage gap

Relative female/male hourly earnings by age group



Evolution of the gender wage ratio



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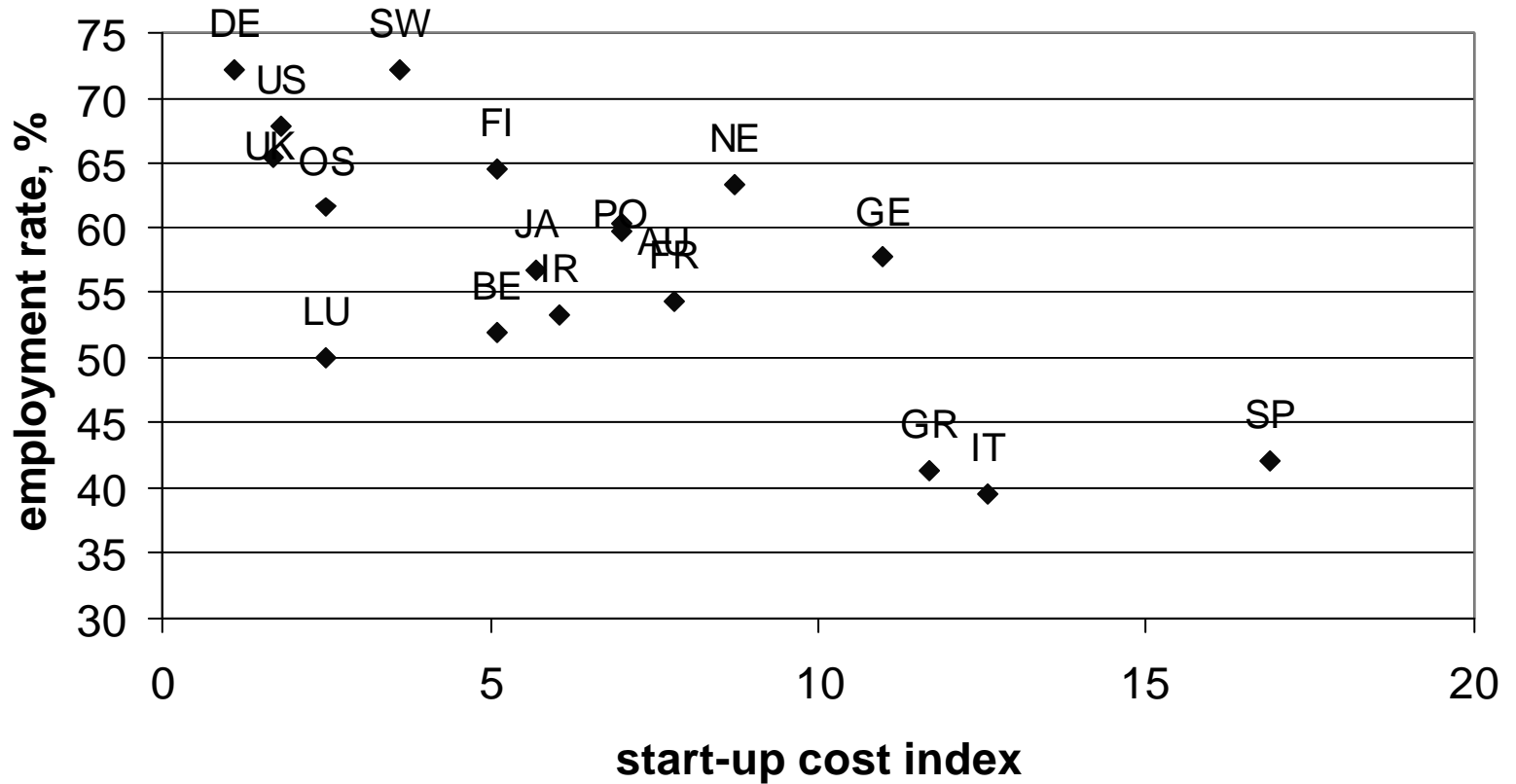
Employment rates

- Growth in employment rates studied in US
- Contributing factors:
 - Shift from manufacturing and agriculture to services
 - Improved working conditions
 - Higher educational attainment for women
 - Durable goods in the home
 - Better family planning
 - Society's attitudes

Europe?

- European countries went through these changes too
- Why the differences in outcomes?
- Institutional differences:
 - Unionisation seems to work against female employment
 - Regulation of new businesses (in the form of start-up costs) also appears to be an impediment to job creation

Female employment and start-up costs



- Some countries also had more favourable macro conditions (e.g., Italy, Spain)
- State-subsidised family care associated with higher employment for married women

Female employment and family care



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Types of jobs

- Incidence of part-time jobs
 - for men, almost everywhere below 5%
 - for women, 9-45%
- Part-time jobs more scarce in the Mediterranean countries, more abundant in the north
- Netherlands, UK top the league with nearly half the women in part-time jobs. In the Nordic countries there are more full-time jobs

Results of our research

- Regression analysis shows that women are over-represented in part-time jobs, especially when married with children
- In northern and central Europe part-time work likely to be voluntary and the result of family commitments
- In southern Europe (and France) more likely to be involuntary and the result of unavailability of full-time work

Temporary jobs

- Some weak evidence that women are also over-represented in temporary jobs, especially true in Spain
- Evidence that part-time workers more likely to hold fixed-term contracts than full-timers

Job satisfaction

- Measure job satisfaction from scale from 1 to 5, many dimensions. We find:
- Part-time jobs reduce job satisfaction in the Mediterranean countries only
- In some northern countries they increase it
- Temporary jobs reduce job satisfaction everywhere, especially in the south and especially for women

Wage penalties

- Controlling for human capital and other factors, temporary work associated with 10-20 per cent wage penalty
- Part-time jobs carry less penalty and hourly wages not significantly different from full-time jobs in many countries

What evidence for segregation?

- Women are over-represented in part-time and fixed-term jobs
- Such jobs are closely comparable to full-time jobs in north and central Europe, but systematically different in southern Europe
- We conclude: some evidence supporting job discrimination in southern Europe

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The gender wage gap

- In the US, gender gap declined from 40% in early 1980s to 20% in 2000
- About half explained by differences in experience between men and women
- Convergence in experience and education in the 1980s explains about half the narrowing
- But also some decline in discrimination

Cross-country differences

- Gender gap largest in US, UK (about 20%)
- Smallest in Nordic countries and Mediterranean (about 10%)
- For younger groups the wage gap is less because of more similar experience and more similar education between men and women

US vs Europe?

- US women do well in terms of occupation and education compared with European women
- They do well in terms of their placement in the male wage distribution, once we control for their characteristics
- But they get paid less compared with their male counterparts than they do in Europe
- Because: More wage inequality in US is reflected in gender inequality

North vs South?

- Nordic countries and Mediterranean countries have similar, small gaps
- But in the Mediterranean gaps are small because very few unqualified women work, compared with the Nordic countries
- The wage gap is bigger for unskilled women than for the skilled
- Once we correct for this difference in the sample, Mediterranean countries do worse than the Nordic countries

What evidence for wage gaps?

- Europe does well but only because of a more compressed wage distribution and smaller non-random participation rates
- Once we correct for these, women in Europe are still behind their American counterparts in terms of education, experience and position on the occupational ladder
- This is especially true in the Mediterranean

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Consequences for other workers

- More women in the labour force means more supply of labour
- At first, this might mean more competition for a historically given number of jobs
- But sooner or later new investment and job creation will take place and full employment in a bigger market will prevail

Do any workers see more competition than others?

- But for this to hold women have to be spread evenly across the jobs spectrum
- Work in the US shows “substitutability” between young workers and women
- This means that women compete more with young workers for jobs than with other segments of the labour market

What does this mean?

- We like to think of this in terms of experience
- Workers of similar experience compete with each other – workers with different experience complement each other
- A large entry of women adds to the less experienced segment of the market, where youths are located
- They compete with each other for jobs

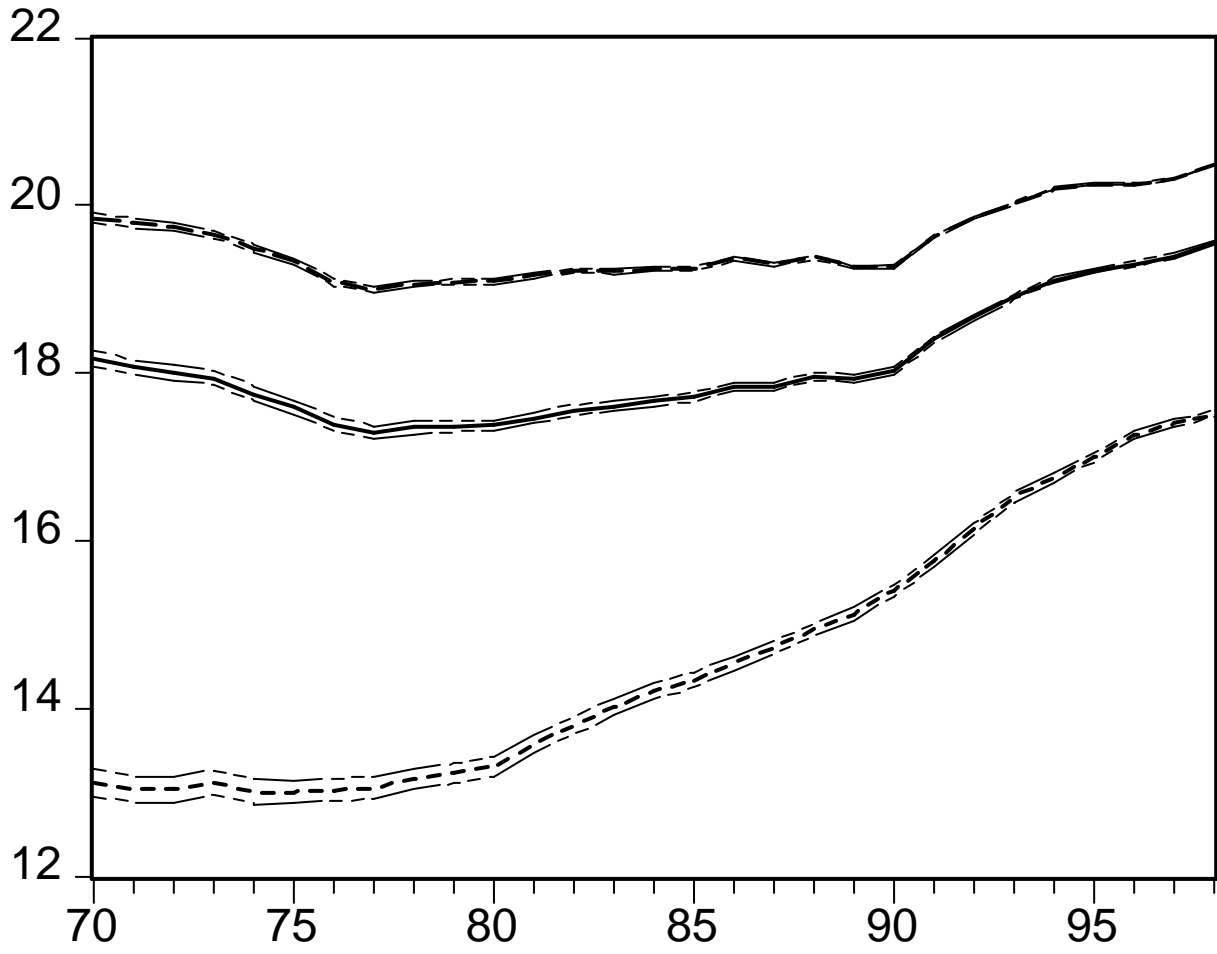
An example

- Think for example of retailing
- A young person could work as a shop assistant
- Now a mature woman comes in and applies for the job
- The shop manager might prefer her
- When she gains experience she moves on to management and the new entry of young workers does not have to deal with this kind of competition

Implications?

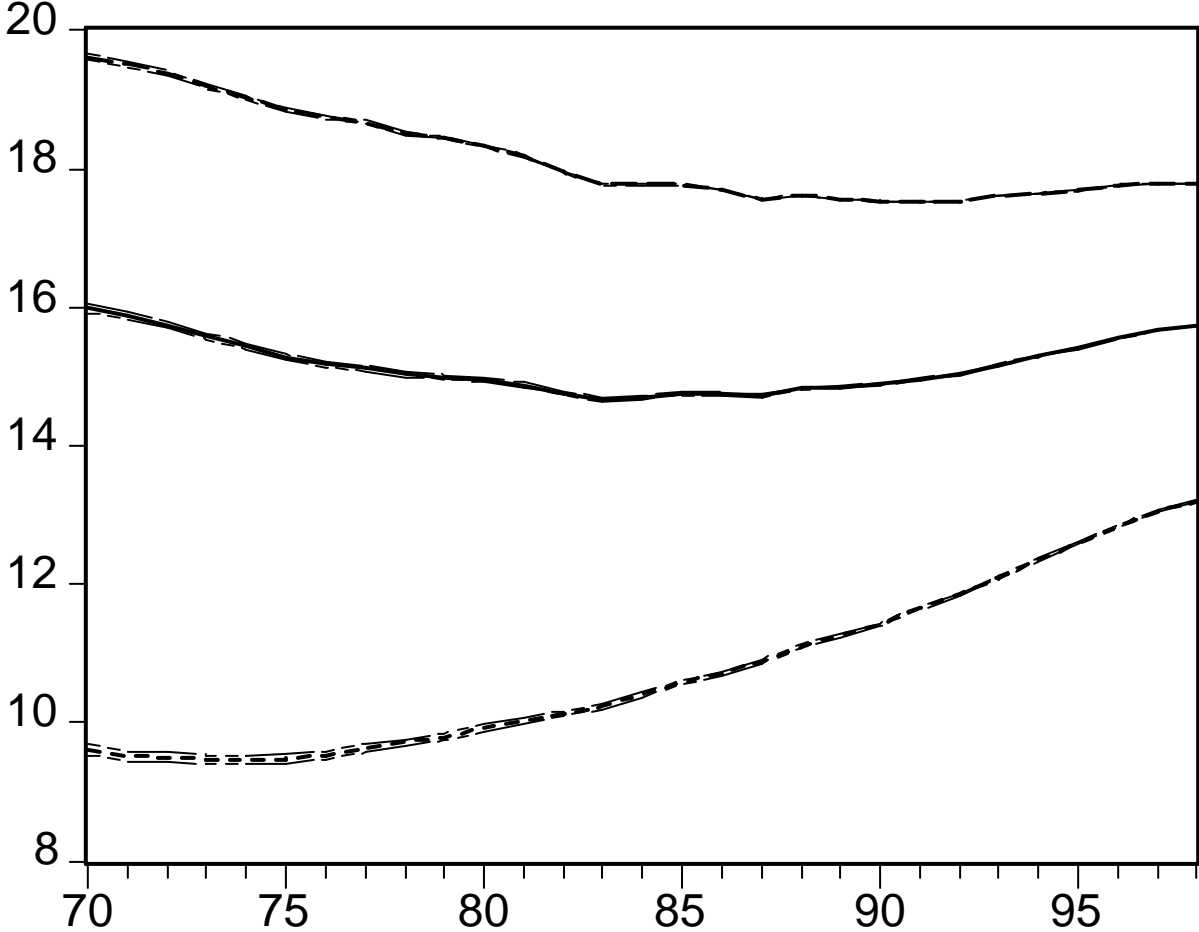
- We find that in Europe the competition between women entering for the first time and youths leads to more youth unemployment (in the US it leads to lower youth earnings)
- But this problem for youths is likely to be temporary, eventually, when the economy settles to a new equilibrium with a steady flow of women entering, the problem will be less acute

Sweden : Experience of the labor force (in years) by gender and 95% confidence interval



— Total experience - - - - Experience of women - . - . Experience of men

France : Experience of the labor force (in years) by gender and 95% confidence interval



— Total experience - - - - Experience of women - . - . Experience of men

Should anything be done?

- Government policy should be targeted to youth unemployment, e.g., in the form of job search assistance, during periods of fast rise in in female employment rates
- This is especially important if the rising female employment rates are themselves partly the result of policy initiatives like Lisbon

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Overall conclusions: Why Lisbon, anyway?

- We believe that there are economic benefits to raising female employment rates
- It allows women to exploit a diversity of talents
- It brings into the open work that was done unreported in the home – corrects tax distortions
- Increases overall tax base
- Increases size of the market

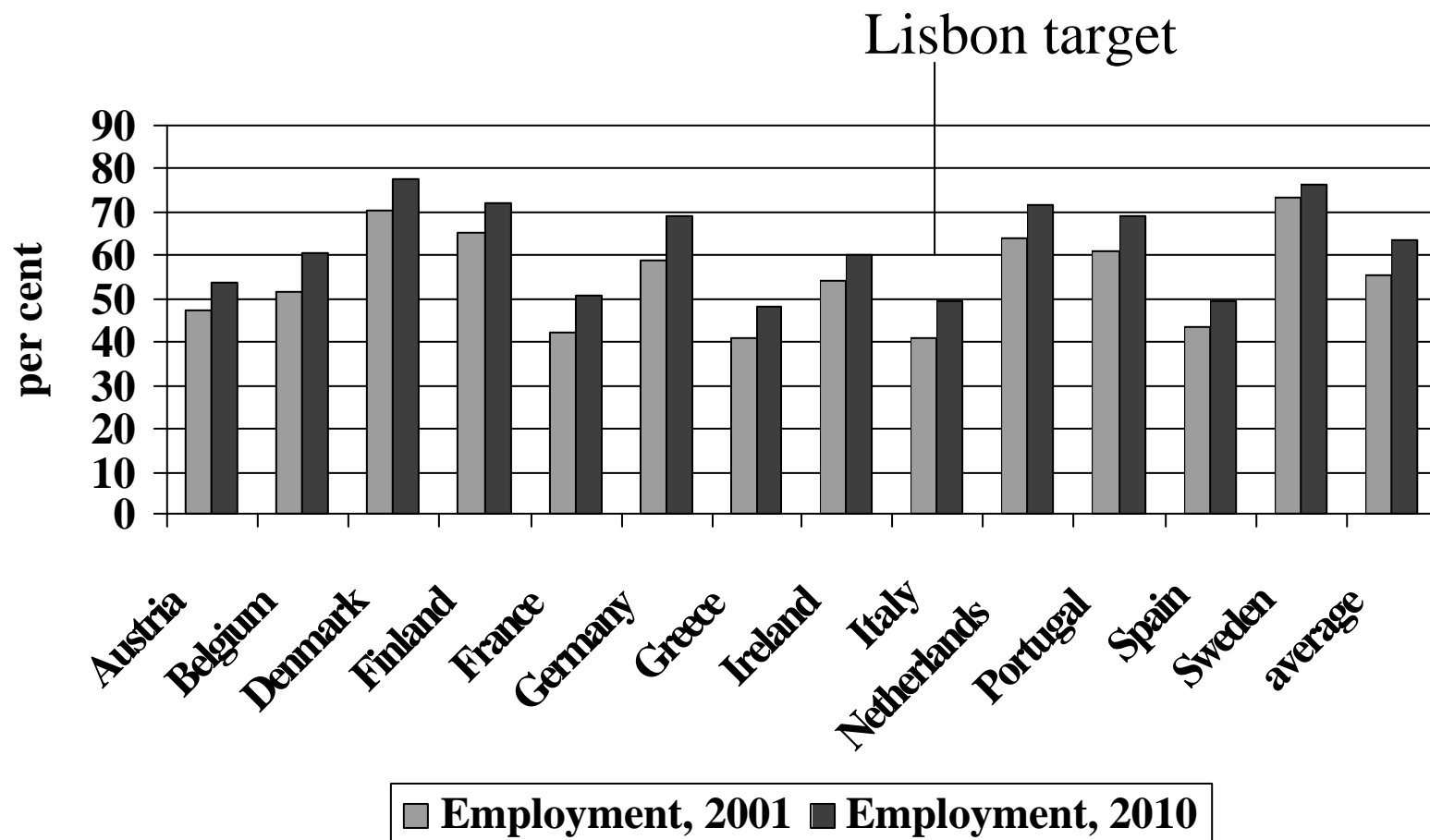
Can policy help?

- Anti-discrimination legislation in existence since 1960s in the US, 1970s in UK, later for others
- Legislative framework common across EU
- But large differences in awareness and litigation
- Strongest in UK, Ireland, weakest in France, Belgium
- Evidence of some influence in US, UK. Less so elsewhere.
- But probably also had longer-term influences, e.g., women's pursuit of career, social norms, desire for political correctness

Return to Lisbon

- Internal dynamics “cohort effects” will give more employment by 2010
- E.g, 20-year old women now have more employment than 40-year old women 20 years ago
- In 2010, when everyone will be 10 years older than at Lisbon, how much will these cohort effects contribute?

Measuring cohort effects



Good news for Lisbon?

- So Europe should get there
- Provided it does not give incentives to women to pull out early, e.g., retire before 55 to claim pensions
- So care should be taken to reform social security to avoid disincentives

How can policy help the under-performers?

- New jobs are likely to be in services and in smaller firms than traditional manufacturing
- Essential that small businesses are not subject to excessive regulation, as in some southern countries in particular
- Countries should follow Employment Strategy recommendations and encourage entrepreneurship with practical measures

Job types

- Women like part-time jobs: make it easier for firms to offer more
- They do not like temporary jobs but may be a good interim measure in countries with vested interests in inherited job protection policies

Family care?

- EU recommends family care provision for 90% of children from 3 to mandatory school age, to encourage married women to enter
- Will certainly help. But justified?
- Will certainly cost a lot of money.

Education, education, education?

- Subsidisation of primary education justified because of externalities
- Is child care from say 3 to 7 similar to primary education?
- If so, subsidy justified. But less research on this topic
- We think that if small business creation is encouraged market can also provide private family care units, as in US and UK

An end to discrimination?

- Discrimination in job opportunities and especially pay still exists
- Major force that will eliminate it is the market
- Fewer interruptions of work, more education and training, which are taking place, will work to reduce it

Lessons of US experience

- US experience shows that although market forces contributed mainly to reducing discrimination, anti-discrimination legislation helped through fear of severe punishment and by changing social norms
- Europe should follow and implement legislation more strictly