Why Can't Women Have It All: A Look into Nobel Laureate Claudia Goldin's Research

Ashoka University Economic Review (AUER)

18th November, 2023

Creative Commons License

The Ashoka University Economic Review and any works published in it are licensed under the Creative Commons Attribution 4.0 International License. To view a copy of this license, visit http://creativecommons.org/licenses/by/4.0/ or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA. For more information, please contact auer@ashoka.edu.in

Editorial Board

Sashank Rajaram, Editor-in-Chief

Fiona Arora, Managing Editor

Aanya Mehra, Editor

Sidharth Wagle, Editor

Siya Gupta, Editor

Suhani Mittal, Editor

Why Can't Women Have It All: A Look into Nobel Laureate Claudia Goldin's Research

"I am happiest being a detective," says economic historian Claudia Goldin, a relentless seeker of concealed truths, particularly in the historical and contemporary context of women's roles in the workforce. In a historic moment, Goldin was honoured with the Nobel Prize in Economics this year, recognized 'for having advanced our understanding of women's labour market outcomes'.

At 77 years of age, she is only the third woman to claim the esteemed Sveriges Riksbank Prize in Economic Sciences and notably, the first to achieve it as a solo laureate. As the Henry Lee Professor of Economics at Harvard University, Goldin asked a simple question: Why do women have to make a trade-off between a temporary job, a long-term career and starting a family? Why can't they have it all?

Building on that question, her research illuminated the challenges women have encountered in bridging the gender-based wage gap, their evolving presence in the labour force, the shifting dynamics over the years, the underlying causes, and the potential strategies to achieve gender parity.

Claudia Goldin's remarkable work of sifting through more than two centuries' worth of data revealed a fascinating aspect of women's labour force participation: it did not consistently align with economic expansion. Contrary to the assumption that economic growth would naturally lead to increased female employment, her research unveiled a more intricate narrative.

A recurring pattern resembling a U-shaped curve (Figure 1) emerged where female participation initially declined in the 19th century but witnessed a resurgence in the 20th century. While women were once actively engaged in agricultural activities, they withdrew from the labour force during the industrialization phase. However, the emergence of the services sector, alongside the availability of contraceptive options, facilitated the re-entry of women into the job market.

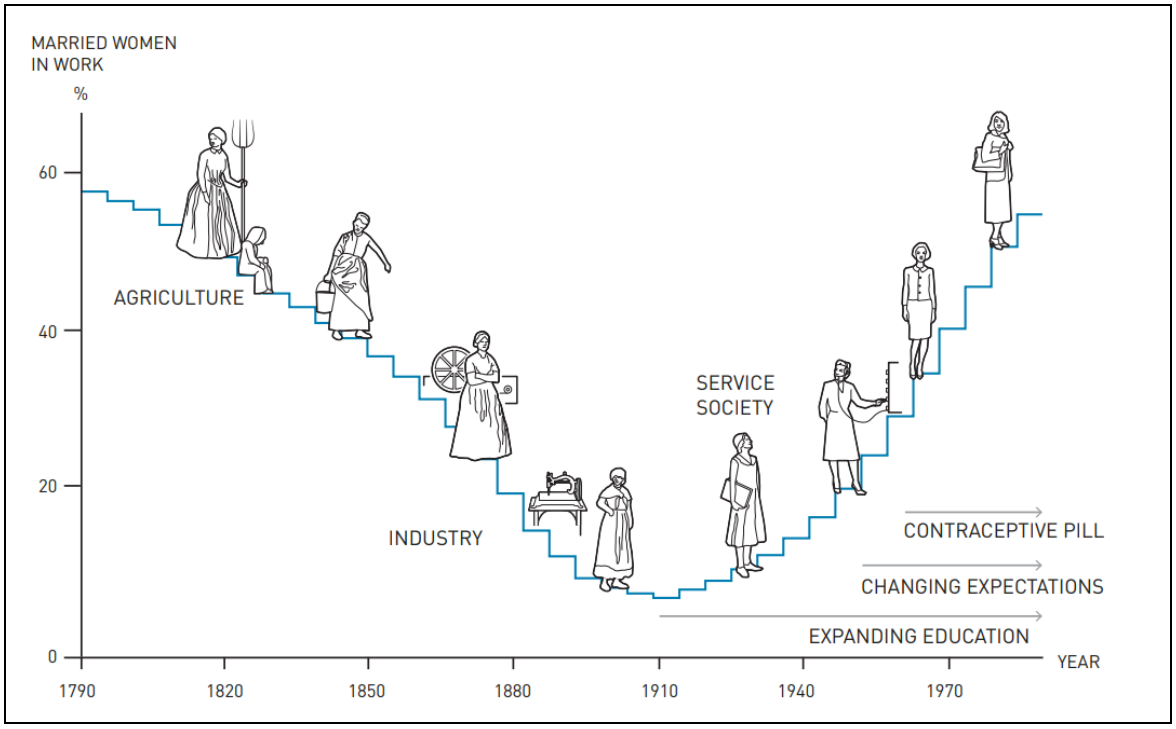


Figure 1: Female Labor Force Participation: The 'U'-Shaped Curve

However, Goldin's research revealed that while these changes propelled women's progress in some areas, they simultaneously erected barriers in others. For instance, the rise of the white-collar sector increased women's labour force participation but also led to the establishment of "marriage bars," segregating men and women in certain job roles.

In the early 20th century, Goldin's research exposed a stark contrast in employment rates between married and unmarried women. While approximately 20% of all women were engaged in paid work, only 5% of married women participated in the labour force, underscoring the disparities within this segment of the female population.

One of her earliest works where Goldin explained her findings was in her 'Understanding the Gender Gap' where she delved into the intricate economic history of American women and reflected how the distant past shapes the present. She discussed how norms, expectations, discrimination, and change interact in economic contexts. However, as the new century dawned, women found themselves in industries with no entry qualifications, limited promotion prospects, and piecework pay. The rise of clerical employment significantly increased women's earnings but also revealed wage discrimination issues. In other words, while women's education levels

rose, their earnings did not keep pace. Moreover, in the industrial sector, wages were adjusted to reflect women's productivity, often based on piecework.

Slowly, office-based roles introduced a new dynamic with more structured salaries and timetables, leading to a substantial shift in employment. Interestingly, Goldin also recognized that job segregation resulted from a complex interplay of factors, including gender norms and the dominance of one sex in certain occupations. Consequently, she highlighted the intricate dynamics within households, emphasizing the evolving family structures and their impact on women's roles and economic contributions.

Such an impact can be seen most prominently in the relationship between technology and education. In her 'Race between Education and Technology', Goldin argued that the income gap we see today, especially in the USA, was partly due to unequal access to education, with lower-income individuals being less educated. Such growing education wage differentials can be attributed to "skill-biased technological change" (SBTC), where higher-skilled workers are in greater demand due to technological advancements.

Interestingly, this phenomenon creates a demand-supply dynamic, with SBTC increasing demand while competition among high-skilled workers increases supply. As a result, the equilibrium education premium – represented by the education wage differential – constantly fluctuates. This fluctuation is termed the 'race between education and technology'. Using USA census data to demonstrate that despite an increase in the median education level among adults, Goldin showed that the education wage differential had risen sharply, and it was driven more by the slower growth in the supply of high-skill labour than by SBTC increasing demand.

However, with the increasing proliferation of technology in all parts of the world as well as a reduction in the barriers to accessibility, this correlation has been weakening over the years, suggesting that changes in education wage differentials are not the primary driver of modern income inequality.

Nevertheless, the reduction in wage differentials has also led to an evolving trend in the women's labour force. In her, 'Women Working Longer' book, Goldin investigated the increasing presence of women in the workforce during their later years and offered insights into the

implications and importance of women's extended careers, shedding light on the economic and social considerations surrounding this transformative shift.

Goldin cited several reasons that might explain this shift in working patterns. She argued that with increased education and skill acquisition among women, more women were able to pursue more fulfilling and financially rewarding careers, therefore, making it more attractive for them to continue working. Moreover, various lab experiments have shown that women are more likely to work in jobs that are less physically demanding and more flexible. These factors suited older women in working spaces which enabled them to work past the retirement age. Subsequently, working longer could provide women greater economic security through pension availability, social security benefits and savings. This, in turn, yielded wider social and economic advantages, such as improved financial security, less dependence on social safety nets, and economic contributions via heightened consumer expenditure and production.

However, the decision to work for longer hours was endogenous and depended on various internal and environmental circumstances that impacted a woman's decision to work longer. Finally, although the number of older women working is rising, there still exists a huge gender pay gap and a dearth of women in leadership positions.

The final point needs to be emphasized again. The dichotomy of increasing women's education and labour force participation but stagnant career growth leads Goldin to pick on the themes of job, family, and career of college graduate American women and to weave a robust economic analysis. In her 'Career and Planning', Goldin explored five generations of women and their century-long quest to close the gender wage gap. She categorized these generations as:

- **Cohort 1: Family or Career (Early 20th Century):** The first cohort, graduating college from the beginning of the 20th century to the close of WWI, who faced a choice between 'family or career.' Many women in this cohort prioritized family and had few job opportunities or careers.
- **Cohort 2: Job then Family (1920s-1940s):** The second cohort, graduating college from around 1920 to the end of WWII, followed a pattern of 'job then family.' They pursued careers before starting a family, but their career opportunities were still limited compared to men.

- **Cohort 3: Family then Job (1946-1960s):** The third cohort, consisting of college graduate mothers during the 'baby boom' period, graduated from around 1946 to the mid-1960s. They chose family both in terms of priority and timing, so much so that most women married within 1 year after graduating from college, reducing the role of colleges to a mere marriage market.
- **Cohort 4: Career then Family (Late 1960s-1970s):** The fourth cohort, graduating college from the late 1960s to the late 1970s, saw a shift towards achieving a 'career then family.' Approximately 13% to 18 % of women in this cohort managed to establish a career before starting a family.
- **Cohort 5: Career and Family (1980s-1990s):** The fifth cohort, graduating from around 1980 to 1990, aimed to achieve both 'career and family'. Their labour force participation when young and married was extremely high—around 80%. Approximately 21% to 28 % of women in this cohort successfully balanced both goals by age 40.

Looking at this evolutionary transition, Goldin claimed that the reason was the dramatic transformation was the significant increase in the number of labour market-relevant college majors and a subsequent increase in enrolment rates of women in professional schools. Perhaps more importantly, there was also better availability of contraceptives (such as the pill) that gave women the autonomy to control their fertility and thus plan for 'career then family.'

One of the most novel concepts that emerges from this study is the idea of 'women building upon frustrations.' Here, each generation learns from the challenges and successes of the previous one and uses that to gradually break free from societal limitations. While earlier cohorts faced clear choices between family and career, later generations achieved a better balance between the two.

But while Goldin's work is comprehensive, it mainly focuses on the USA. Do her theories and explanations work for India as well? With India's female labour force participation falling in the last five years as the jobs moved from farms to construction, manufacturing and services, the question has assumed immense importance.

A State of Working India 2023 report, brought out by the Azim Premji University reveals that some of Goldin's findings may apply in India as well. The double burden of household work and

a job continues to affect women, gender norms play a significant role, and the Covid-19 pandemic had a massive impact. But that is where the similarities end.

While Goldin's work predicts women to join back the labour force as the economy transitions from the industrial to the service sector, India's decline in women's labour force even after transitioning to a service-based economy raises a cause for concern. A premature industrial phase followed by an abrupt shift to services in addition to extremely persistent gender and social norms could have contributed to the low employment among women. As Goldin argues, the only way to break this dichotomy and bring more women into the workforce is through higher education investments and raising the age of marriage.

While substantial progress has been made, the 2023 Global Gender Gap Report still reflects a gender gap score of 68.4%, signifying a stark reminder that given the current pace of progress, it will require over a century to eliminate the global gender gap. Not only do women earn less, but they also encounter obstacles in career progression. And that is where Claudia Goldin's work becomes so monumental as she underscores an extremely crucial lesson: we cannot rely solely on economic growth to spontaneously erode gender disparities in the labour market. Her recommendations are thus necessary to ensure that women can, indeed, have it all.