



Policy Brief

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Findings

- Over the last 25 years, women's labor force participation rose steeply while men's fell slightly. This pattern is true among both more and less skilled women.
- Over the same time period, the male/female wage gap also narrowed. Among the less-skilled, women's wages have risen somewhat, while men's wages have fallen. Among the more-skilled, both men and women's wages have risen sharply, with women's rising somewhat faster.
- The relationship between education or experience and labor market outcomes has changed. For less-skilled women, the benefit from having additional years of education or experience has improved, and the negative consequences of family and children have lessened.
- Less-skilled women have benefited from these changes relative to less-skilled men, even while losing ground to more-skilled women. Hence, less-skilled women have occupied an intermediate place in the labor market, doing better than equivalent men but not as well as their more-educated sisters.

How Are Low-Skilled Women Doing in the Labor Market?

Prepared from a paper by Rebecca Blank, University of Michigan and Heidi Shierholz, University of Toronto

Background

When chronicling how less-skilled workers have fared in the U.S. since the late 1970's, existing literature often cites their falling wages and declining participation in the labor force. Most research describing these trends, however, focuses primarily on men, failing to account for the fact that less-skilled women's real wages have not fallen, and their labor force participation has actually risen. Rebecca M. Blank and Heidi Shierholz address this topic by breaking down labor market outcomes over the last 25 years by gender and skill level, and exploring possible reasons why less-skilled women might have fared better than less-skilled men in recent decades.

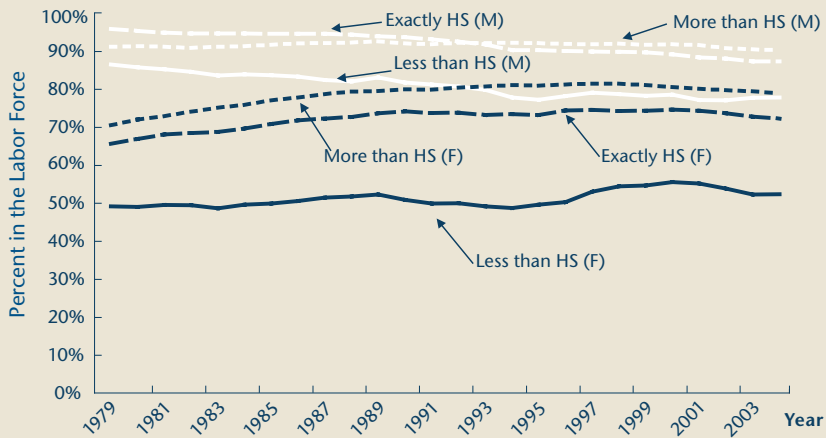
The Blank and Shierholz paper, "Exploring Gender Differences in Employment and Wage Trends Among Less-Skilled Workers," was prepared for the conference, *Working and Poor: How Economic and Policy Changes are Affecting Low-Wage Workers*, sponsored by the National Poverty Center. This paper and others will be published by the Russell Sage Foundation in late 2006 in a volume also entitled *Working and Poor*.

Data and Methodology

Blank and Shierholz examine trends in labor force participation, unemployment rates, wage rates, and the overall responsiveness to economic cycles of each of these labor market outcomes from 1979 through 2004. They compare less-skilled women to more-skilled women and to less-skilled men, focusing on those ages 18 through 54. The authors define "less-skilled" as someone who has obtained a high school degree or less and "more-skilled" as someone with some training in addition to a high school.

The authors estimate which factors may explain the narrowing gap in wages and labor force participation between men and women. They analyze the effects of personal characteristics, such as education level, experience, and race; family characteristics, such as marital status and number of children. They also account for differences based on state of residence, which may be influenced by factors such as state-specific unemployment rates or welfare policies. Blank and Shierholz evaluate the determinants of labor force participation and wages separately by skill level and gender in 1979 and in 2003.

Figure 1: Labor Force Participation by Skill Level, by Gender



Source: Authors' tabulations from Current Population Survey Outgoing Rotation Group data, 1979 to 2004. Based on all noninstitutionalized civilian adults aged 18-54.

Review of Labor Market Trends by Skill Level and Gender

Labor Force Participation. Between 1979 and 2004, the difference shrank between the number of men and women who were working or looking for work, mostly due to substantial increases in the number of women involved in the labor force. This phenomenon is especially true for more-skilled men and women. In 1979, 91 percent of more-skilled men participated in the labor force compared to 70 percent of more-

skilled women – a 21 percentage point difference. In 2004, 90 percent of more-skilled men participated in the labor force, compared to 79 percent of women – an 11 percentage point difference.

Among less-skilled men and women, the difference in participation is larger and is narrowing at a slower rate. In 1979 the gap was 32 percentage points, while in 2004 it was 18 percentage points (see Figure 1).

Hourly Wages. More-skilled men and women have seen substantial increases in their earnings over the same period. Less-skilled women have experienced either flat or rising wages, while less-skilled men have seen real wage declines from 1979 through the mid-1990s, with a slight rise in wages after 1995. Figure 2 demonstrates that women's wages were lower than men's wages at all levels of skill in 1979, so that more-skilled women earned less than high school dropout males. This is no longer true, although women's wages continue to lag behind equivalent men's. For less-skilled men and women, the differences in wages at all skill levels have become smaller. The female/male wage gap in 2004 was 50 percent lower than it was in 1979.

About the Authors

Rebecca Blank is Co-Director of the National Poverty Center; Dean of the Gerald R. Ford School of Public Policy at the University of Michigan; Henry Carter Adams Collegiate Professor of Public Policy; and Professor of Economics at the University of Michigan.

Heidi Shierholz is a faculty member in the Department of Economics at the University of Toronto and holds a Ph.D. in Economics from the University of Michigan.

Wages are also converging among more-skilled men and women. Both men and women's wages are rising strongly among this group, but women's wages are rising faster.

These findings, among others described in more detail in the full paper, lead the authors to conclude that less-skilled women have fared better than less-skilled men over this 25 year time period.

Accounting for Narrowing Gender Differences in Wages and Participation

The factors that determine whether a person participates in the labor force and the wages they earn are very different, depending on gender and skill level. These differences have changed over time.

Changes in Experience. Women have become more involved in the labor force and have accumulated more labor market experience. Between 1979 and 2000, the average less-skilled woman had accumulated about 3 additional years of labor market experience while the average less-skilled man's experience fell by more than 5 years. Women at every level of experience became more likely to work over this 20 year period. Those with more than 10 years of experience also experienced higher wages at every level of experience in 2000.

Changes in experience drove up wages and labor force participation among women, for two reasons. First, women are working more and hence acquiring more accumulated experience. This is associated with higher wages and a higher propensity to work in the labor market. Second, the relationship between experience and labor market outcomes strengthened for women. This means that women at each level of experience were more likely to work and earned higher wages in 2003 versus 1979.

Changes in Education. Educational attainment has increased among all groups over the last 25 years. Women’s educational levels have grown slightly faster than men’s. Currently, little difference exists in education between gender groups. Labor force participation rises for both men and women as years of education rise. Women at all education levels worked more in 2000 than they did in 1979, while men worked less over that time period. By 2000, women earned more at most levels of education compared with their inflation-adjusted earnings in 1979, while this was not true for men.

Additional education has a positive effect on wages – economists refer to this as the returns to education. For both less-skilled men and women, the return to a high school degree or higher education has been rising. Less-skilled men have been more affected by this trend than other groups.

Family Characteristics. A woman’s family structure generally affects her labor force participation differently than a man’s, with marriage and children typically decreasing the probability that a woman works and the wages that she earns. Blank and Shier-

holz find, however, that the negative effect of marriage on women’s participation in the work force has almost disappeared over time. Single parenting, meanwhile, has a positive effect on women’s labor participation. This positive effect of single parenting among less-skilled women was not present in 1979, but shows up quite strongly in 2003. This change may be partially a result of changing welfare policy which has required more work among welfare recipients.

Over time, the number and ages of their children are having less effect on the labor market participation and wages of both less-skilled and more-skilled women. Having preschoolers and infants continue to have large negative effects on the probability that less-skilled women will work, consistent with the fact that child care costs may take up a high share of earnings among women whose wages are low.

Other Characteristics. Part-time work results in lower wages, as expected, and these negative wage effects seem to be growing over time, especially among men. Additionally, the authors find that black workers and workers of Hispanic origin continue

to earn lower wages than white workers, holding all else equal.

Conclusion

On average women obtained more education and experience between 1979 and 2004. These are not the major factors driving the narrowing gap between less-skilled men and less-skilled women’s labor market outcomes, although growing levels of experience have raised women’s wages and work probabilities. Rather, the *relationship* between education or experience and labor market outcomes has changed. The relative benefit reaped from each additional year of education or experience – the *returns* to education or experience – for less-skilled women has improved and the negative consequences of family and children have lessened. As a result, the gap in labor force participation among less-skilled men and women has narrowed by almost 15 percentage points. The wage gap has also declined among the less-skilled. Less-skilled women’s wages grew by 13 percent, while less-skilled men’s declined by more than 6 percent.

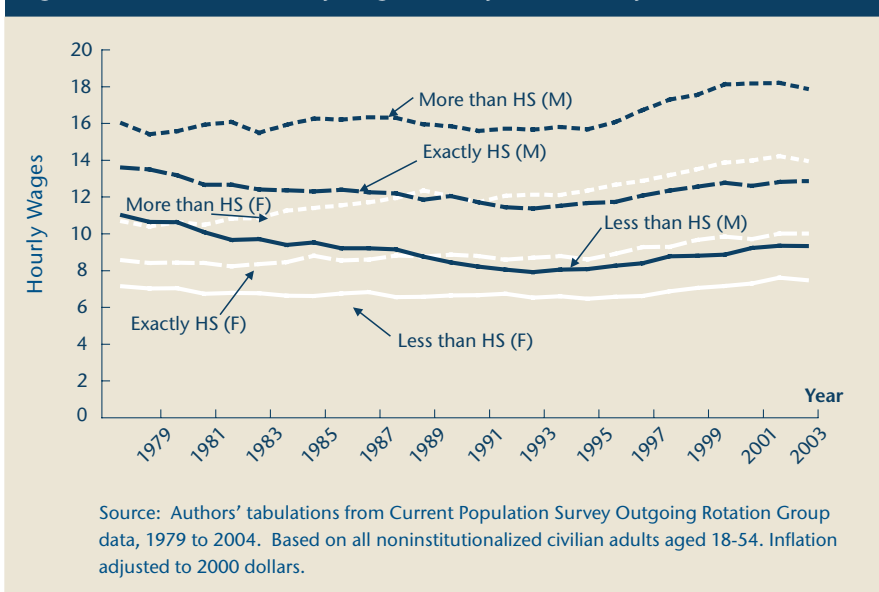
Less-skilled women’s outcomes have, by contrast, improved at a slower rate than those of more-skilled women – increasing the gap in labor market outcomes by skill among women. More-skilled women have done well, but continue to lag behind more-skilled men.

Implications

While the changing returns for less-skilled women have narrowed the gender gap in labor market outcomes compared to their male counterparts, this cannot continue indefinitely as women’s wages and labor force participation look increasingly like men’s. Hence, over time, women’s position in the labor market may begin to look increasingly like men’s. Given the negative

(continued)

Figure 2: Real Median Hourly Wage Rates by Skill Level, by Gender



The National Poverty Center

About the NPC

The National Poverty Center is charged with promoting high-quality research on the causes and consequences of poverty, evaluating and analyzing policies to alleviate poverty, and training the next generation of poverty researchers.

Rebecca M. Blank and Sheldon H. Danziger, Co-Directors

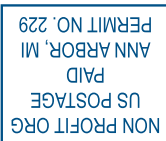
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National Poverty Center
1015 E. Huron Street
Ann Arbor, MI 48104
734-615-5312
npcinfo@umich.edu

Visit us online: www.npc.umich.edu

trends that low-skilled men have experienced over the last 25 years, this would limit further possible gains among less-skilled women. Given ongoing low wage levels among both less-skilled women and men, programs and policies that support low-skilled workers, such as the Earned Income Tax Credit, child care subsidies, and access to health care will continue to play an important role in encouraging continued labor force participation.



Gerald R. Ford School of Public Policy
University of Michigan
1015 E. Huron Street
Ann Arbor, MI 48104-1689

