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The Effect of Endogenous vs. Exogenous Labor Market Flexibility on Gender Wage Gaps

Benjamin Posmanick
Clemson University

Peter Blair
Clemson University

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**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 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:

$$\log(w_i) = \alpha_0 + \beta_1 WW_i + \beta_2 BW_i + \beta_3 BM_i + \gamma X_i + \epsilon_i \quad (1)$$

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

**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.

**CONTACT INFORMATION**

Email bposman@clemson.edu
Phone +1 (618) 207-8912
Address 447 Sirrine Hall, Clemson, SC 29634

**REFERENCES**
