EXPLAINING AGE AND GENDER DIFFERENCES IN EMPLOYMENT RATES: A LABOR SUPPLY SIDE PERSPECTIVE

Abstract

This paper takes a labor supply perspective (neoclassical labor supply, job search) to explain the lower employment rates of older workers and women. The basic rationale is that workers choose non-employed if their reservation wages are larger than the offered wages. Whereas the offered wages depend on workers' productivity and firms' decisions, reservation wages are largely determined by workers' endowments and preferences for leisure. To shed some empirical light on this issue, we use German survey data to analyze age and gender differences in reservation and entry wages, preferred and actual working hours, and satisfaction with leisure and work.

Motivation

We use German Socio-Economic Panel Study (SOEP) to analyze age and gender specific differences in reservation and entry wages. These results are interesting: wage structure and labor supply model and search theory. Reservation wages are smaller prices of leisure (working time = cost), measured as individual endowments. Additional on analyze individual preferences for working hours and leisure time.

Why is it important? In terms of aging societies more information about individual labor supply is necessary (men and older workers).

Consideration

Young and old, men and women may differ in their labor supply. Older individuals and women may have a higher preference for leisure time (technically speaking, to their reservation rate of substitution Gender and Welford channel (1990) The Basic Theory of Labor Supply: A Full Employment Approach). If they value leisure, their reservation wages may shift in favor of leisure and against work.

Data (SOEP):

(a) Sample: 1999-2010, N=4,312 observations, with 1,056 observations of reservation wages (non-employed job searches) and 1,567 observations of entry wages employed with leisure, N=1,719. (b) Hours, hourly and monthly information.

Gender equality: reservation wages and entry wages (both leisure = 1 year).

"How high would your net income or salary have to be for you to take a job offer if you had a... (16 hours per month)"

"Do you expect how many hours a week would you have to work to earn this net income? (hours per month)"

Gender equality: preferred working hours, actual working hours, satisfaction with leisure, satisfaction with job (only for employed).

Unemployment: job qualifications, health, child at home, German citizenship, household income (IQR), regional unemployment rate based on current federal states (lower states, upper, central, south, west).

Estimation Strategy

Short sample (1997-2010) with 95% estimations and robust standard errors. Long sample (1997-2010) with panel estimation techniques with robust standard errors.

General estimation equation: \( Y = \alpha + \beta_1 x + \beta_2 x + \beta_3 x + \beta_4 x + \beta_5 x + \epsilon \)

Results Long Table 3 for hours information.

We focus on leisure: reservation wages and entry wages both increase with age but quite different. Reservation wages increase more with age than entry wages.

Countries:

Different results for hours and monthly information could lead to varying policy implications.

Conclusion:

Reservation and entry wages are not gender specific. Women have a lower reservation wages than men. But they have lower entry wages (13%).

In general: reservation and entry wages both increase with age but quite different. Reservation wages increase more with age than entry wages.

Children do not affect reservation wages of others than entry wages. Children increase reservation wages of mothers (5%) but not entry wages.

Conclusion:

Reservation and entry wages both increase with more children (and less satisfaction with job). Higher preference for leisure is an evidence for lower employment of the elderly.

Download


Leuphana University Lüneburg Institute of Economics, Labor and Personal Economics

Stephan Humpert, M.A.  
+494131.671-2222  
humpert@leuphana.de  
www.leuphana.de