

What Claudia Goldin taught economics about women, labour markets and pay gaps

*When Claudia Goldin's research on women's work became influential in the 1980s, the study of gender was far from mainstream in economics. Four decades later, that is no longer the case, in large part thanks to her influential work, which won her the 2023 Nobel Prize in Economics. **Barbara Petrongolo** discusses Goldin's legacy in shaping the current research frontier in gender inequalities, from public policy to norms and stereotypes influencing labour market participation.*

The 2023 Nobel Prize in Economics was awarded to Claudia Goldin – a labour economist and economic historian – for having advanced our understanding of women's labour market outcomes. Quoting from the Prize motivation, “Goldin has provided the first comprehensive account of women's earnings and labour market participation through the centuries. Her research reveals the causes of change, as well as the main sources of the remaining gender gap.”

While few economists nowadays would dispute the global relevance of these themes, when Goldin's research on women's work became influential in the 1980s, the study of gender was far from mainstream in economics, and mostly coalesced around the analysis of female labour supply within the married household. Four decades later, old and new perspectives on gender have taken centre stage in many areas of economics. Many advances in labour economics have built on insights from the gender literature, including the identification of income and substitution effects in labour supply, the consequences of self-selection in labour markets, or the interplay between markets and households. In public economics, women's responses have featured prominently in the evaluation of tax reforms and several policies in the areas of healthcare, education and family support. In development economics, research has highlighted gender gaps in health, education, personal autonomy and legal rights, and devised intervention for the empowerment of women and girls in low-income contexts. In macroeconomics, gender

trends have been related to the evolution of the industry structure, aggregate productivity and the efficiency gains from the allocation of talent.

Goldin's work has provided the backbone of these advances. By collecting and studying data from the last two centuries of women's economic history through a labour economics perspective, her work has given credible answers to open questions and has paved the way to new research agendas on gender. One key insight from her work is that women's participation to the labour market does not monotonically increase with economic development. In fact, at early stages of development, women are heavily involved in agriculture, often as unpaid workers in family farms. As economies grow with industrialization, the locus of production moves out of the household and family farms, into factories and urban centres. Female participation declines along this process – following a combination of improved economic status, female-unfriendly working conditions in factories, and social customs limiting women's entry in manufacturing – and women specialise in unpaid household work. As economic development progresses further, the expansion of the service economy attracts women into the labour market, thanks to their comparative advantages in non-manual jobs. The relationship between economic development and women's work is therefore U-shaped, but this could not be demonstrated until Goldin established that female work in early surveys – most notably the US Census – was largely undercounted due to its predominantly informal and unpaid status.

Goldin rationalises these phases of US economic history into a unified model of labour demand and labour supply. Between the late 19th century and the early 20th century, American women in paid occupations, unlike those working in the home or family businesses, were generally young and unmarried. The income elasticity of labour supply, as well as the stigma associated with work outside the household, were large. Hence most women left the paid workforce upon marriage and transitioned from farm to domestic work when their husbands' earnings rose in the growing manufacturing sector. Before and around mid-century, the increased demand for clerical work created more female-friendly jobs, women's human capital gains raised returns to labour force participation, and the increase in the own-wage elasticity of labour supply made women's behaviour more sensitive to the rising opportunity cost of homemaking. The combination of these factors set female participation on a clear upward trend.

Goldin notes that – in contrast to these evolutionary phases – from the 1970s women’s labour market involvement entailed radical changes in the time horizon, independence and significance of their labour supply decisions. Thanks to the availability of contraceptives, women could plan their fertility, postpone marriage, and aspire to long-term careers in the labour market. For rising numbers of women, work started to define one’s identity and role in society, with a changing balance between family and work in their aspirations. Female relative earnings started rising markedly around 1980, following improvements in human capital through education and work experience. Occupations of new graduates gradually shifted from those traditionally considered female (teachers, nurses and care workers) to a varied pool of professional and managerial jobs.

After decades of progress, the late 20th century has seen stalling or slowing gender convergence in the US and other high-income countries. To date, there remain wide disparities in the wages and economic standing of men and women in nearly all countries. Women still specialise in systematically different education fields from men, are under-represented in high-earning careers, and bear the bulk of the financial penalty related to having children – something often referred to as the motherhood earnings penalty. While male careers are largely unaffected by parenthood, childbirth typically drives large and persistent drops in mothers’ earnings.

Goldin’s more recent work has highlighted that one important feature shaping the motherhood penalty is the remuneration of family-unfriendly working conditions, with high-earnings occupations disproportionately rewarding long hours and continuous labour market attachment, and penalising career breaks. Drawing lessons from pay schedules in different occupations, she finds that professions such as healthcare and IT that introduced greater flexibility in their organization have achieved greater gender convergence in pay than professions that have fostered a long-hours culture – most notably in the corporate, financial and legal sectors. Some of the observed changes in the organisation of work have happened as a result of policy interventions regulating part-time work and the rights to flexible working, but at least equally important are bottom-up initiatives for family-friendly working conditions implemented by firms that increasingly see the advantages of attracting and retaining female talent.

The legacy of Goldin’s work is shaping much of the current research frontier in gender

inequalities. A strand of research investigates the impact of governments' support to families and the organisation of work on the motherhood earnings penalty. Another closely related strand investigates the role of gender norms and stereotypes in perpetuating unequal gender involvement in unpaid work in the household and setting limits to women's labour market engagement. One key insight from the latest research is that the pursuit of gender equality in economic opportunities needs not be a zero-sum game in which one group gains to the detriment of the other. Breaking gender stereotypes and lifting the remaining barriers to women's equal opportunities in the labour market can achieve a more efficient allocation of male and female talent to tasks, both in the workplace and in the household.

Professor Claudia Goldin is the keynote speaker at the event [“Why Women Won”](#) on 30 November 2023 at LSE. [Register to attend](#).

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