



Mommy tracks and public policy: On self-fulfilling prophecies and gender gaps in hiring and promotion[☆]



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ABSTRACT

Consider a model with two types of jobs. The profitability of hiring a worker to a fast-track job depends not only on his or her observable talent, but also on incontractible effort. We investigate whether self-fulfilling expectations may lead to higher hiring or promotion standards for women. If employers expect women to do more household work than men, thereby exerting less effort in their paid job, then women must be more talented to make it profitable to hire them. Specialization in the family will then result in women doing most of the household work. Such self-fulfilling prophecies can be defeated by affirmative action or family policy. However, it is unlikely that temporary policy can move the economy to a symmetric equilibrium: policy must be made permanent. Anti-discrimination policy need not enhance efficiency, and from a distribution viewpoint this is a policy with both winners and losers.

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1. Introduction

Why does a marked sexual division of labor seem to continue even when comparative advantages, for example based on physical strength, is of diminishing importance? The traditional picture of a breadwinning father and a homemaking mother may be disappearing in modern economies, but there is marked sectoral segregation based on gender and women also tend to hold jobs that are more compatible with bearing the main responsibility for children.¹ Self-fulfilling prophecies have been suggested as one possible basis for enduring discrimination in the labor market. If an employer expects women to shoulder the brunt of household work, this will have consequences both for firms' hiring decisions and investments in female human capital. When the family in turn shall decide on its time allocation, the fact that women tend to earn

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¹ Based on matched employer–employee data, Bayard et al. (2003) show that a large portion of the sex gap in wages can be explained by segregation of women into lower-paying jobs, both across and within firms.

less makes it rational that the woman actually do carry the main responsibility for children and is less active in the labor market. The key question is to which extent public policy can break this type of discrimination. More precisely, our main concern is if anti-discrimination policies only need to be applied a short while, for beliefs to change, or if policy needs to be permanent, to prevent the economy from sliding back into the previous discriminatory situation. Of course, it is much easier to combat discrimination if policy only needs to be temporary. Unfortunately, we show that under what we claim are plausible assumptions, anti-discrimination policy designed to break self-fulfilling prophecies must be in place permanently to have a permanent effect.

Our starting point is the following: suppose there are two types of jobs, “fast track” and “slow track” jobs. A worker is placed on the fast track if a fixed investment, paid by the firm, is undertaken. Future wages are incontractible at the time of investment, and assumed to be set ex post through bargaining. The firm then gets a fraction of the value produced by any given employee. This value in turn depends on the (known) ability of the person, but also on his or her future “effort”, which is to be interpreted broadly – for instance to include the willingness to work irregular hours and not take long parental leaves. The employers only place those employees on the fast track whose expected output is so large that the investment cost is recouped. Suppose that women traditionally have been the ones to assume primary responsibility for child care and that such responsibilities make it more costly to exert effort in the labor market. If employers expect less effort from women than from men of comparable talent also in the future, then women, more often than men, will be put on the labor market’s slow track. The decision concerning who will actually assume primary responsibility for the children and who is allowed to concentrate on the outside labor market is then taken within the family. Most family models predict some degree of specialization according to comparative advantage, and perhaps the most important source of a comparative advantage in household production is a low outside wage.² Can it be that employers’ beliefs in this way turn into self-fulfilling prophecies? This would mean that the slow track in the labor market predominantly would be a “mommy track.” The present paper formalizes this story. We associate self-fulfilling prophecies with situations where the equilibrium outcome is asymmetric even when agents are symmetric. Whenever there is an asymmetric equilibrium in which the female assumes primary responsibility for household production, there will be another asymmetric equilibrium with reversed gender roles. Self-fulfilling beliefs can make one of these equilibria focal.

The paper establishes conditions under which discrimination prevails in an imagined world in which men and women are identical in all economic respects (which in our setup basically means that there are no gender differences in preferences or skills). Two conclusions can be drawn: (i) The symmetric model sometimes has only asymmetric stable equilibria, meaning that self-fulfilling prophecies discrimination can be an equilibrium phenomenon. But notice that this is the case only under given conditions. (ii) Under quite general assumptions, if asymmetric equilibria exist, then there is no stable symmetric equilibrium. This implies that successful anti-discrimination policy will have to be permanent to sustain a situation that is not a stable equilibrium – rather than shifting the economy from a discriminatory equilibrium to a nondiscriminatory one. The latter would arguably be the easier task.

We argue that many types of policy can, indeed, break a discrimination equilibrium. Affirmative action and family policy are but two examples of policies that might work. Turning to welfare issues, however, it turns out that anti-discrimination policy is a policy with both winners and losers. Perhaps paradoxically, discriminatory hiring standards make the income distribution across families more even. If fair hiring standards are introduced, the likelihood that some families will have two workers in fast-track jobs and some families having none will increase. This could suggest that anti-discrimination policies should be complemented by redistributive measures. Even if these distributional effects are neutralized, it is not certain that anti-discrimination measures will increase welfare. On the positive side, fair hiring standards means that the talent capital in society is put to better use. However, as someone has to do the housework in a family, it can be wasteful to have both parties in a couple in fast-track jobs. Discrimination can be seen as a coordination device that reduces the probability of wasteful investments in both partners.

These caveats should not cloud what our analysis reveals: that discriminatory treatment of women can arise even when men and women are completely equal in all economic respects; that policy – if made permanent – can effectuate symmetric treatment of the sexes; and that there are cases where anti-discrimination policy is welfare-improving. However, the correct application of policy measures requires a careful analysis of the situation.

A string of existing papers discuss self-fulfilling prophecies and different types of labor market discrimination in various model settings. We mention Coate and Loury (1993), Francois (1998), Engineer and Welling (1999), Moro and Norman (2003, 2004), Bjerk and Han (2007), Albanesi and Olivetti (2009) and Dolado et al. (2013). Coate and Loury’s (1993) seminal paper builds on Arrow’s (1973) version of the statistical discrimination model. The essence of Arrow’s model is that employers’ negative stereotypes about a group can in themselves weaken incentives for acquiring skills, and in this way become self-fulfilling prophecies.³ Coate and Loury (1993) redesign Arrow’s model to form a model of job discrimination rather than

² Konrad and Lommerud (1995) show that specialization according to comparative advantages can also characterize decisions in a family where family members non-cooperatively and non-altruistically determine their own time use. Related work can be found in Konrad and Lommerud (2000), Konrad et al. (2002) and Vagstad (2001).

³ Other contributions to the statistical discrimination literature include Phelps (1972), Aigner and Cain (1977), Lundberg and Startz (1983), Milgrom and Oster (1987), Lang (1986), and Norman (2003).

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