

# **The Care Penalty**

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# “Essential Workers” in the U.S.

- Workers providing services in businesses required to stay open during the early stage of the Covid-19 pandemic.
- Categories defined by U.S. Department of Homeland Security by industry/occupation
- The future evolution of the definition is unclear; currently in effect in several states, including Massachusetts.

# Differences Among Essential Workers

- Some, like teachers, could work from home.
- Many were required to work in jobs that involved face-to-face interaction with a high risk of exposure to infection.
- Meat-packing workers, health care workers and elder care workers were particularly vulnerable.

# Essential Worker Pay?

- Based on the latest Current Population Survey covering 2018 with information on differences by occupation and industry.
- Characteristics of essential and other workers remarkably similar in some respects, including weekly wages, average age, race and ethnicity, educational attainment and foreign-born.
- But 50% of essential full-time full year jobs by women, compared to 44% for total; 25% in the public sector, compared to 17% for total

# “Hazard Pay”?

- Some workers at large private firms were initially awarded “hazard pay” — now largely discontinued.

<https://www.npr.org/2020/05/30/864477016/as-hero-pay-ends-essential-workers-wonder-what-they-are-worth>

- “Hazard” has been largely considered “part of the job” for health care workers.

As one executive of a large health care firm put it:

“We do not calibrate pay and benefits based upon the patients’ condition and for this reason we do not offer hazard or crisis pay.”

“Thank you for the courage,” she added.





I AM VALUABLE  
BUT NOT VALUED

city

TEY

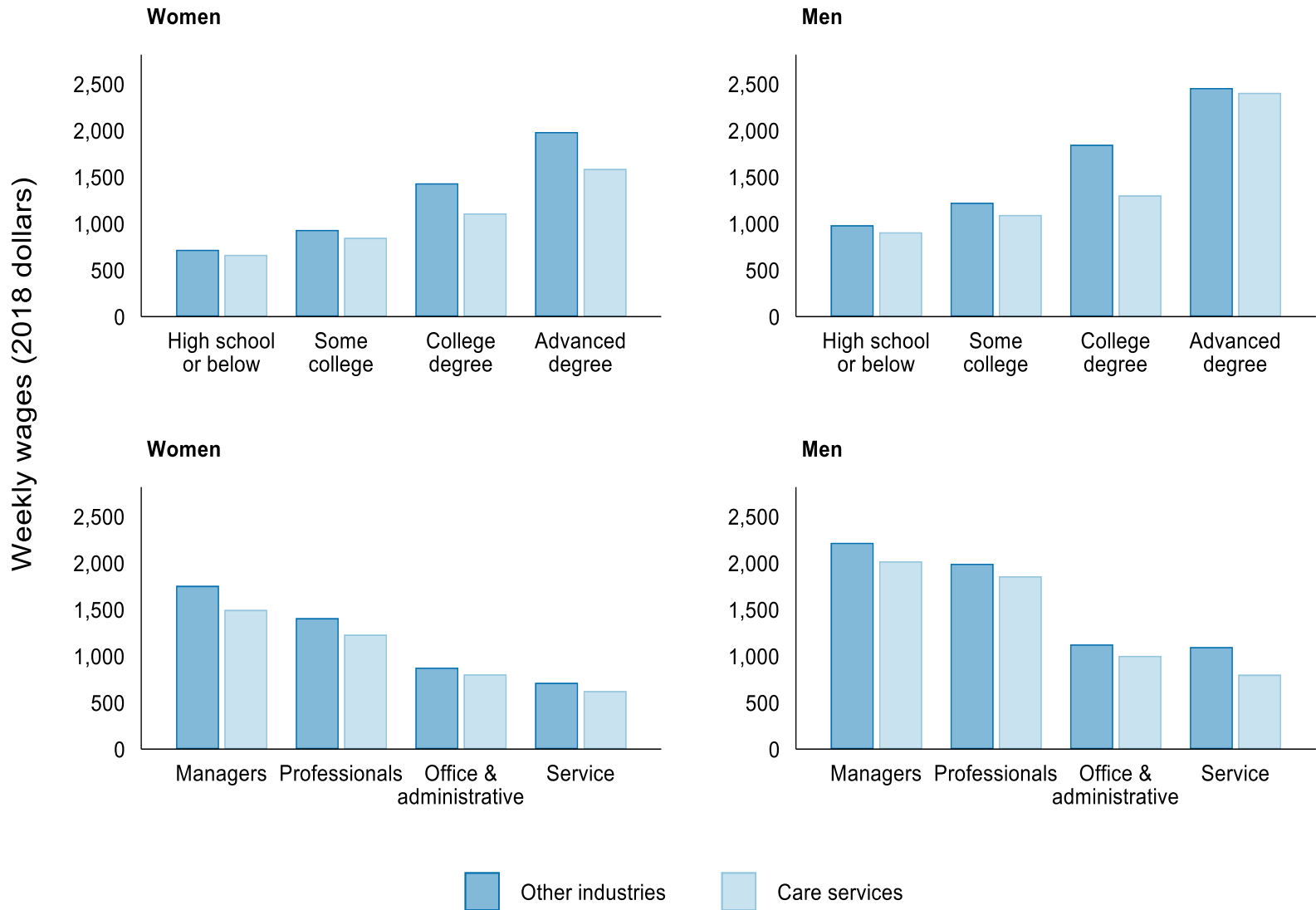
ELMO



# Essential Workers in Care Services

- Care services = health, education, and social services
- 46% of all essential workers, 73% women, almost 60% in professional occupations, 56% with college education or higher, slightly smaller percentages of Hispanic and foreign-born workers
- Regardless of gender, educational attainment, and occupation, essential care workers earned less than other essential workers in 2018.

Figure 1. Wages for essential workers, by education and occupation



Source: CPS ASEC 2017-2019. Sample and variable construction same as Table 1.

# Multivariate Analysis

On average, essential workers in care services earn less than other essential workers by about 19 percent, net of controls for gender, education, race/ethnicity, etc.

Professionals — largest associated wage gap, of 23 percent, followed by managerial occupations with a 17 percent gap.

“Care penalty” is bigger than the “gender penalty.” Women essential workers earn less than male essential workers by about 13 percent, net of controls.

  
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# Care Penalty Empirics

- Consistent with other research on the U.S. and the U.K., showing penalties, net of controls, for working in a care occupation.
- Fixed-effects analysis of longitudinal data from the National Longitudinal Survey of Youth (England et al. 2001; Budig, et al. 2019).
- Industry-level effects (net of occupation) (Folbre and Smith 2019; Gautham et al, 2020).



Why do some groups of workers  
earn more (or less) than others?



Is it because of who they are, or what they do?

Characteristics of individuals or of jobs?

“Agency” or “Structure”?

Neoclassical economists often argue that workers get what they deserve or, at least, what they want.

“The rich earn higher incomes because they contribute more to society than others do.”

Mankiw, Gregory. 2013. “Defending the One Percent,” *Journal of Economic Perspectives* 27:3.

“Employees differ in their demand for workplace flexibility and thus their willingness to pay for it.”

Goldin, Claudia, and Lawrence Katz. 2016. “A Most Egalitarian Profession: Pharmacy and the Evolution of a Family-Friendly Occupation,” *Journal of Labor Economics* 34:3.

Heterodox economists often argue that workers face different forms of discrimination and experience different levels of exploitation.

“High-earners capture **rents** that cannot be explained simply as the “outcome of well-functioning competitive markets rewarding skills or productivity based on marginal differences.”

Josh Bivens and Lawrence Mishel. 2013. “The Pay of Corporate Executives and Financial Professionals as Evidence of Rents in Top 1% Incomes,” *Journal of Economic Perspectives* 27:3.

# **A Broader Explanation:**

Relative earnings are shaped by differences in individual and collective bargaining power.

But what factors influence the bargaining power of different groups of workers?

Feminist research on the “care penalty” helps explain the “power premium” — and vice versa.



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# The Care Penalty



Women's specialization  
in care provision can  
offer efficiency gains for  
society as a whole,

**BUT**

reduces women's  
individual and collective  
bargaining power.

# Reasons Related Both to “Agency” and “Structure”:

- Commitments to care for others (especially dependents) increase dependency: “prisoner of love” effects.
- Care provision in general and childrearing in particular create especially “public” benefits that are difficult for providers themselves to fully capture.

# Here We Are

In our own jobs, service is “under-rewarded” because individual service contributions are difficult to define, much less measure.

Service to the department and the university is largely dependent on intrinsic motivation, and is often economically penalized.

# Performance Pay

Pay for performance (bonuses) common at top in financial sector, low in care sector.

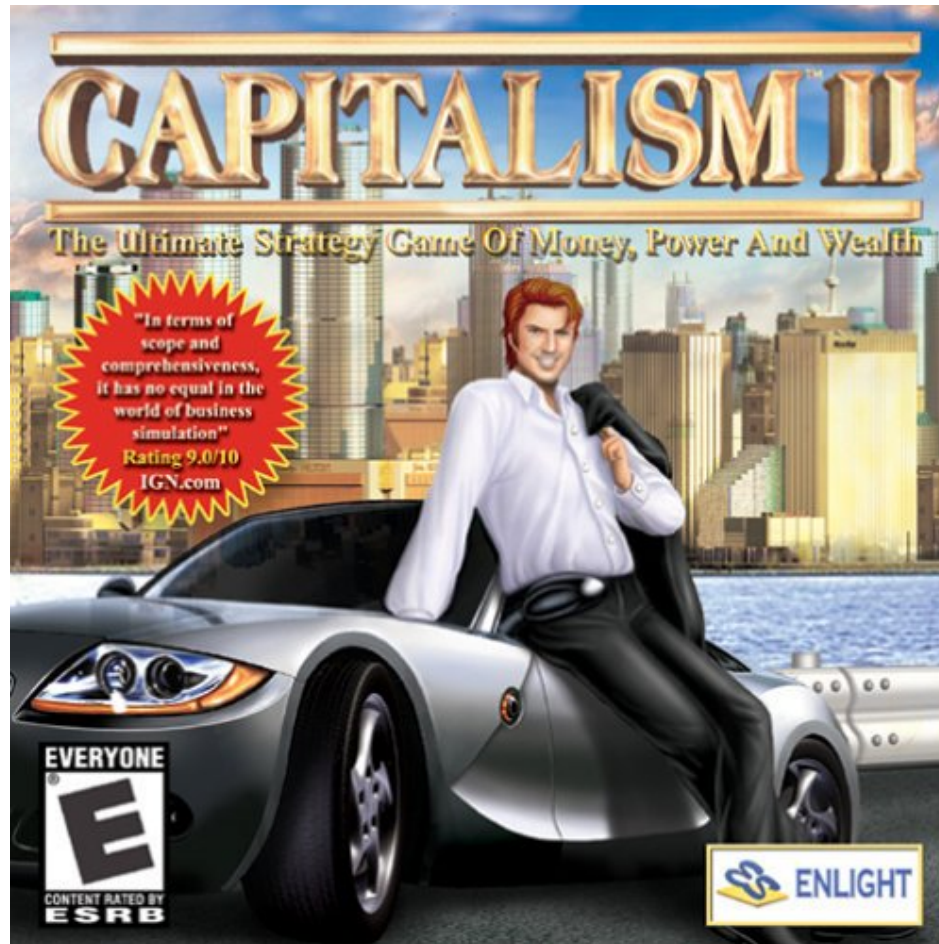
Holmstrom:

Rich premia for efforts whose outcomes can be easily-measured encourage allocation of effort away from other efforts — and also tempt malfeasance (e.g., Wells Fargo, Atlanta teacher cheating).

Efficient to sort workers according to “high-powered” and “low-powered” incentives.

Bengt Holmström, 2016 Nobel Prize Lecture, “Pay for Performance and Beyond,” published in 2017 in *American Economic Review*.

# Isn't This What We See?





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# In Sum

Care penalty arises from difficulty of organizing care provision on the basis of purely voluntary exchange (including within families), and...

... the difficulty of successfully commodifying the personal, emotional, non-standard, team-based and public goods aspects of care provision.

# **A Crisis of Social Reproduction?**

In the long run, capitalist dynamics can penalize those aspects of care provision that cannot be commodified.

Can social democratic welfare states withstand the effects of increased wealth concentration and intensified global competition AND PANDEMIC?

# Empirical Agenda

- Examine relationship between care occupation and industry effects. Which are stronger? How do they interact?
- Look more closely at effects of specific values and preferences on job choice and earnings.
- Redefine the care penalty in broad terms that capture effects in both unpaid and paid work, rather than “controlling” for many factors that are themselves affected by care penalties.

Thanks for your attention.