

The Care Penalty and Gender Inequality

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Abstract: This article explains why care work often imposes a financial penalty that contributes to gender inequality. The work of caring for others—whether unpaid or paid—often involves more personal connection, emotional attachment and moral commitment than other forms of work. It creates public as well as private benefits, and its value is difficult to measure. All these factors put care providers at an economic disadvantage.

Keywords: care, unpaid work, gender inequality, specialization, market failure, externality

The average woman devotes more time to family care than the average man and is more likely to be employed in a job that involves care for others. The average woman also earns less than the average man. These patterns reinforce one other: When people are seeking a partner who will be a good family caregiver, they prefer someone who has signaled caring preferences and skills. When people take time out of paid employment for any reason, they typically experience a reduction in future earnings and career prospects. When people earn less than their partners, they are likely to take on more responsibility for family care. This gender specialization contributes to gender inequality.

While care work is morally and socially valued, it receives an unpredictable and often low level of economic reward both in the home and in the labor market. Married women often enjoy a share of their husband's earnings, but the level is determined more by whom they marry than by how much time they devote to family care or how many children they raise. Women and men in paid jobs that entail personal concern for the well-being of clients, patients, students or other consumers typically earn less than they would in other jobs, even controlling for a host of personal and job characteristics (England et al. 2002; Barron and West 2013; Hirsch and Manzella 2015; Budig et al. 2017). This pattern raises an important question: Is care work

rewarded less because women tend to do it, or do women earn lower rewards than men because they specialize in care work?

While the causality probably goes both ways, the disadvantages of specialization in care work play an important but underappreciated role in the dynamics of gender inequality. In this essay, I argue that specialization in care is costly because it reduces both individual and collective bargaining power. That is, it puts individual caregivers at a disadvantage and makes it more difficult for women, as a group, to challenge gender bias and discrimination. In this context, “disadvantage” does not connote lower happiness or subjective well-being, but rather less access to economic resources and less power to influence institutional change.

I begin with a brief overview of the relationship between gender and care, then explain the strategic disadvantages of care work. Next, I review empirical evidence that a “care penalty,” helps explain gender inequality in three different domains—the family, the labor market, and the polity. In the conclusion I emphasize that care penalties and gender discrimination reinforce one another, but that specialization in care is disadvantageous regardless of gender.

Gender and Care

Economists tend to treat the family and the labor market as separate spheres, applying different behavioral assumptions to each. The family is often treated as a realm of altruism where individuals derive utility from the wellbeing of others. The labor market is often treated as a realm of self-interest, where workers care only about their earnings relative to their effort. This “separate spheres” approach has never been entirely convincing. It has become less so as many services previously performed within families have shifted to the labor market. The expansion of paid care services for children, individuals who are ill or disabled, and the elderly reflects, in part, a reduction in family time devoted to such activities (Folbre and Nelson 2000).

Yet many aspects of the care labor process remain similar: in many occupations in health, education, and social services, concern for the wellbeing of the care recipient has implications for the quality of the services provided (Folbre 2012a; Folbre and Smith 2017).

Concern for others is evident in many workplaces (Dodson 2013). Not all market exchanges are impersonal; many have relational aspects. But personal, emotional and moral engagement plays a special role in jobs that involve direct personal care of others. Both child-care and elder-care workers typically know the names of those they care for, grow attached to them, and feel an obligation toward them. Work in more-credentialed care occupations, such as teaching and nursing, also entails high levels of personal responsibility and concern for others.

Women provide a disproportionate share of both unpaid and paid care in the U.S. For example, in 2015, among civilians, age 15 and over, about 30% of women compared to about 19% of men devoted time to caring for a household member on a given day. Among this group, the average for women was 2.3 hours per day compared to 1.61 for men.¹ Women are also more likely than men to provide care for non-household members (12.8% v 9.5%). For the population as a whole, women spend on average about twice as much time daily as men on activities that involve caring for others (55 minutes versus 25 minutes). In 2016, about 23% of all children under the age of 18 lived with mothers alone, compared to 4% living with fathers alone.² Women

¹ Table A-1, American Time Use Survey 2015, available at http://www.bls.gov/tus/tables/a1_2015.pdf, accessed February 14, 2017.

² America's Families and Living Arrangements: 2016: Children, Table C2. Household Relationship and Living Arrangements of Children Under 18 Years, by Age and Sex: 201, available at <http://www.census.gov/hhes/families/data/cps2016C.html>, accessed February 17, 2017.

represented 47% of all employment, but 75% of all those employed in education and health services.³

One could argue that individuals are simply revealing their preferences in utility-maximizing decisions. But it is hardly accidental that women as a group have different preferences than men, often reflecting different priorities for the care of others (Fortin 2008; Borghans et al. 2008). The strong association between femininity and care for others has a long cultural and intellectual history. Social norms of gender identity exert tremendous influence (Akerlof and Kranton 2010). Women are significantly more likely than men to state that “opportunities to be helpful to others or useful to society” are important in selecting a career, and men often put a higher priority on money than women do (Fortin 2008).

Violation of gender norms can be costly. Women who hope to become mothers know they will benefit from sustained relationships with men who will help support their children. But men express less interest in women who are employed in traditionally masculine occupations that pay more than comparable feminine occupations (Badgett and Folbre 2003). Evidence from a speed-dating experiment suggests that men were seldom drawn to women perceived as more intelligent or ambitious than they were (Fisman et al. 2006). The cultural discomfort created when wives earn more than their husbands may help explain the decline in marriage rates over the last thirty years (Bertrand et al. 2015). Not all differences between men and women--or between norms of masculinity and femininity--are economically consequential. But the links between femininity and care create significant economic vulnerabilities.

Care, Exchange, and Bargaining

³ Current Population Survey Household Data Annual Averages, Table 18, Employed Persons by Detailed Industry, Sex, Race, and Hispanic or Latino Ethnicity, available at <http://www.bls.gov/cps/cpsaat18.htm>, accessed September 29, 2015

Care services may be offered as a pure gift. More often, they are offered with the hope of reciprocity, the expectation of payback, or the promise of remuneration in a process of informal or formal exchange (Folbre 2012a). While economic theory emphasizes that both parties gain from voluntary exchange, it also points to complications that may lead to differences in the distribution of gains: lack of alternatives (as in the absence of perfect competition), imperfect information or inability to act on it (such as lack of consumer sovereignty) and unintended spillover effects (“externalities”). All three factors help explain why caregivers have relatively little bargaining power: they cannot easily threaten to withdraw their services, they cannot easily measure the value of their contributions, and they cannot personally lay claim to all the value they create.

Lack of Alternatives

Participants in competitive markets have freedom to enter and exit and face a large number of consumers or producers. This situation obviously does not apply to informal exchange in families, which are defined by both moral and legal commitments to specific people. Still, adult family members enjoy considerable freedom to exit commitments, and this freedom is generally greater for those with weaker emotional attachments to those most affected by exit—especially young children.

Both unpaid and paid care are often motivated by a particular type of altruism aimed at fostering the wellbeing of care recipients rather than their subjective happiness. They may also include a “warm-glow” dimension—a desire to personally help another. Such altruism provides intrinsic satisfaction. But even if it is attributed entirely to personal preferences, it creates costly attachments. And altruistic feelings are often reinforced by cultural norms and moral obligations.

Even the most loving parent occasionally resents getting up in the middle of the night to soothe a crying child.

The emotional dimensions of care challenge the traditional distinction between a utility function and a production function (Pollak and Wachter, 1975). Caregivers may be held hostage by their attachments, or become “prisoners of love” who find it difficult to bargain over or renegotiate their responsibilities (Folbre 2012b). In more technical terms, concern for those in need of care leads to asymmetric payoffs in a Chicken Game: the fear that no one else will take responsibility prevents caregivers from threatening to withdraw their services (Folbre and Weisskopf 1998). Caregivers often suffer a first-mover disadvantage, or a hold-up problem, created by the difficulty of specifying enforceable contracts for payback. Such contracting problems can discourage caring commitments (Lundberg and Pollak 2003; Pezzin et al. 2007).

Alternatives are also influenced by the portability of experience and skill. Like emotional attachment, person-specific or job-specific skills are tailored to specific situations and are less productive elsewhere. Their stickiness impedes exit. Skills that are general or transferable offer a higher overall rate of return. And unfortunately, in most institutional settings more limited outside options result in more limited bargaining power.

Imperfect Information and Limited Agency

When you put quarters in a soda machine and press a specific button, you can be pretty sure what is going to come out. Even in this situation, however, the machine can malfunction and leave you empty-handed. The more complex the goods or services being exchanged, the bigger the information problems. One reason it is hard to shop for medical insurance, choose the best college or find the best child or elder care provider is that there are many different alternatives, and consumers don't always know in advance what they want.

Providers also face uncertainty. A personal commitment to care for another person is always risky, because it is difficult to know how that person's needs may change over time. This information problem probably helps explain why emotional attachment and social norms of obligation are so vital for the care of dependents. They help stabilize the provision of care services by reducing the probability of exit. Unlike other "investments," children are not fungible. A purely rational or instrumental decision to become a parent would require a money-back guarantee!

Care responsibilities—whether provided from within the family or the market—are often unpredictable and contingent on circumstance. The quality of care services is often difficult to measure and may depend on the context. Care often involves team production—collaboration among parents, other family members, health care providers and educators, child care and elder care workers. Further, the consumer—in this case, the care recipient—also affects the care process. Some partners and parents may seem to do a better job than others, but it's hard to tell whether this is due to competence or luck. Doctors may be more successful with some kinds of patients than others, and teachers' performances may depend on the characteristics of their students. Child care and elder care workers also require collaboration from those they care for.

People are who too young, too sick, or too frail to make decisions on their own need more care services than others. These individuals often lack the information or the ability to make decisions on their own behalf. Those who need care are often unable to exchange anything in return for it. When intertemporal exchanges are feasible, they are difficult to enforce, even within the family. They rely, to a very large extent, on altruistic preferences and norms of obligation. Even Gary Becker, an economist generally confident of market forces, emphasizes

that the family and the state can solve coordination problems that lie beyond the reach of individual exchange (Becker 1991).

Young children don't choose their parents, or their daycare centers, or their schools. The infirm elderly can't always choose which family members will care for them or what kinds of services they can take advantage of. Both private and public health insurance involve third-party payments, and often create perverse incentives. Profit-maximizing strategies in these circumstances often tempt provision of low-quality services (Deming et al. 2012; Cabin et al. 2014). Those who need care services are less likely than other consumers to get what they pay for or to pay for what they get. This makes it difficult for care providers to bargain for a wage that reflects the true value of their services.

Externalities

Both unpaid and paid care contribute to the development and maintenance of human capabilities, generating significant externalities or spillovers. As a result, it is difficult to accurately measure inputs or outputs, much less assign a price to the value of caregiving work. Children grow up to become public goods, making contributions to society as workers, taxpayers and voters. Over their lifetime, they pay significantly more in taxes than they consume in the form of public benefits (Lee and Edwards 2011). Parents who devote substantial time and money to their children deserve some credit for their indirect fiscal contributions. An analysis of average net taxes (individual taxes paid minus government benefits received) paid over a lifetime by parents and non-parents based on longitudinal data found that parents pay more in net taxes than non-parents do when the future tax contributions of their children are taken into account (Wolf et al., 2011).

Family members are not the only ones who develop the capabilities of the next generation and help preserve the capabilities of the aging. Communities and their social capital contribute to the production and maintenance of human capital. Paid care workers also exert a discernable impact, generating significant benefits that usually escape economic measurement. One recent empirical analysis of teachers' impacts on test scores found that replacing a teacher in the bottom 5% with one of average value added would increase the present value of students' lifetime income by more than \$250,000, far more than any teacher earns in a year (Chetty et al. 2014). Such measures of value added represent a lower bound, since test scores represent only one dimension of success, probably less important than broader social and emotional intelligence.

Externalities create a free rider problem. Those who benefit indirectly from care provision can continue to do so whether or not they help pay the costs. Employers pay workers based on their contribution to the firm, not their contribution to the future labor force. Taxpayers may not even recognize the extent to which they benefit from the improved capabilities of the younger generation. Like non-custodial parents who contribute relatively little to their children's support, U.S. firms that relocate overseas contribute relatively little tax revenue for public spending on the health and education of U.S. workers.

Care Penalties

Women's specialization in care helps explain why they remain economically vulnerable in the family, earn lower wages than men in the labor market, and find it difficult to influence public policy. Mothers earn considerably less than other women, controlling for their human capital characteristics, including experience and hours worked (Blau and Kahn 2016). But many of these control factors are themselves indirect manifestations of unequal responsibilities for care and the cultural devaluation of care work.

Care Penalties in the Family

Gary Becker argues that the gender division of labor is efficient, because women have a comparative advantage in the care of young children (Becker 1991). Whether or not this is the case, it does not explain why mothers often experience economic disadvantage. The incidence of formal partnerships among parents has declined in recent years: in 2014, about 40% of children were born to unmarried women.⁴ While caregivers in stable family partnerships often benefit from altruistic commitments, specialization in care puts women in a weak fall-back position in the event of marital dissolution (Lundberg and Pollak 2003). Mothers often form stronger emotional attachments to children than fathers do, in part because they spend more time caring for them. When partnerships between adult parents dissolve, mothers often end up with greater responsibility for supporting children, as well as caring for them.

Joint custody of children in the aftermath of divorce has become increasingly common in recent years, but most custodial parents are still mothers. The 2011 Current Population Survey-Child Support Supplement estimates that about 18% of custodial single parents are fathers (Grall 2013). This survey does not measure legal custody in precise terms, but a more detailed study based on Wisconsin court records found that less than 20% of custodial single parents in that state were fathers (Cancian et al. 2014). Blended families are increasingly common. According to the 2009 Survey of Income and Participation, about 40% of children in the U.S. live in households without their biological fathers (Kreider and Ellis 2011). While surveys offer differing estimates of child support that non-resident fathers pay, the highest estimate (based on Survey of Income and Participation data for 2008) is that only 54% paid any at all during the preceding year (Stykes et al. 2013).

⁴ National Center for Health Statistics, “Unmarried Childbearing” available at <https://www.cdc.gov/nchs/fastats/unmarried-childbearing.htm>, accessed February 15, 2017.

Mothers' strong emotional attachment to children, along with the difficulty of determining the value of parental care, complicates policy efforts to specify and enforce child support responsibilities (England and Folbre 2002). In addition to the challenges of combining care with financial support, single women with custody of children often experience more difficulty finding another partner than unencumbered fathers do.

In many married couple families, market income is pooled, and such partnerships give women and men some remuneration for family care. However spouses often bargain (implicitly or explicitly) over the extent of pooling, and a variety of factors affect the relative power of husbands and wives. Mothers of small children have less bargaining power than fathers because it is more costly for them to exit the relationship. Not surprisingly, they often work longer total hours (paid and unpaid) (Folbre 2012a, Yavorsky et al. 2015). Mothers who do not engage in paid employment work fewer hours overall than those who combine paid with unpaid work, but because the labor market rewards continuous employment, such mothers lose potential for earning income in later years when their children are older and their husbands may no longer be providing support.

Women are also more likely than men to provide care for elderly family members (Folbre 2012a). One recent study of data from the 2004 Health and Retirement Survey found that daughters not only provide about twice as much care as sons, but that sons provide significantly less when daughters are available (Grigoryeva 2014). Like child care, elder care is time-consuming and often interferes with paid employment, imposing high opportunity costs (Amalvoyal et al. 2015). Analysis of cross-sectional data cannot determine causality: those who work fewer hours and/or earn less may be more likely to become caregivers; care provision itself may not be a causal factor in their lower income. However, one study using longitudinal data

from the U.S. Health and Retirement Survey study, controlling for time-invariant differences among individuals (in a fixed effects model) and using instrumental variables (such as the reported illness or infirmity of a parent) to test for exogeneity, found that elder care had a negative causal effect on women's hours of employment and their wages (Van Houtven et al. 2013).

Care Penalties in the Labor Market

Women's contributions to family care affect both employers' demand for their labor and their own labor supply decisions in ways that reduce their earnings. Discrimination against mothers and gender differences in employment continuity and hours worked represent care penalties. But another care penalty results from the low wages that care services earn in the labor market. A large percentage of care service jobs have some important features in common with family care and, as a result, violate standard economic assumptions regarding the relationship between pay and performance (Folbre and Smith, 2017).

Early efforts to explain why some employers were reluctant to hire women (especially in high-paying jobs) attributed this to an unexplained "taste for discrimination." But at least two possible motives for discrimination are linked to family care provision. Predominantly male employers may recognize the advantages to themselves and other men of reinforcing women's specialization in family care. Employers may also engage in statistical discrimination against women because—regardless of their current marital or motherhood status—they are more likely than men to take time out of paid employment. Evidence suggests that employers considering written job applications are particularly likely to discriminate against mothers (Correll et al. 2007). Statistical discrimination against women in general and mothers in particular illustrates how gender identity—rather than individual characteristics—affects labor market outcomes.

Care provision clearly influences the supply of labor. On average, women are more likely to delay or interrupt employment, to work part-time or reduced hours, to avoid work schedules that make it hard to accommodate family care needs, and to choose jobs that involve care provision, such as child care, elder care, teaching, and nursing. Even when men and women work hours that exceed the threshold of full-time employment (35 hours a week or more), men's average hours are significantly higher (Cha and Weeden 2014). Expectations of high work hours in some male-dominated jobs deter women, contributing to occupational segregation. Men's labor supply to the market is greater and less constrained in part because they tend to have women partners who supply more time to family care: when men work exceptionally long hours, their wives are more likely to quit their own jobs (Goldin 2014).

In recent years, the wage premium for working extra-long hours has increased, contributing to gender inequality in earnings (Cha and Weeden 2014). One explanation of this wage premium may be that willingness to work long hours and conform to employers' scheduling demands contributes to greater productivity (Goldin 2014). Institutional factors also come into play, including the high fixed cost of employer-financed benefits such as health insurance and pensions (which makes it more costly to hire an additional worker than to increase hours of existing employees) and weak federal overtime regulations (which also lower the cost to employers of increasing hours). In any case, the wage premium for working more than forty hours in paid employment is essentially the mirror image of a wage penalty for working less.

The effects of gender are mediated by differences based on class, race and ethnicity, and unionization, as well as other factors. Women in professional and managerial occupations are more likely than others to enjoy firm-level benefits such as paid family leave. On the other hand, women who take advantage of such policies seem to experience subsequent disadvantages (Glass

2004). Low-wage women earners with relatively little bargaining power are the least likely to enjoy workplace flexibility (McCrate 2012).

The theory of compensating differentials suggests that women simply have a preference for working fewer hours than men do, and are willing to pay for it. But there is a difference between a preference for enjoying more leisure, and a preference for caring for family members, which offers substantial benefits to society as a whole. There is also a difference between a preference for caring for family members and an obligation to do so, especially if that obligation is intensified by the reluctance of other family members to take on such responsibilities.

All of the factors above help explain why mothers earn less than other women, and substantially less than fathers (Blau and Kahn 2016). A less-explored dimension of the care penalty arises from employment in the paid “care sector” of the economy. Empirical research on data from the U.S. and the U.K. demonstrates that most occupations that involve care for others pay less than others, even controlling for education, experience, and a host of other factors (England et al. 2002; Barron and West 2013; Hirsch and Manzella 2015).

This finding seems inconsistent with human capital theory, which focuses on the relationship between worker characteristics and pay. But most human capital models assume that representative firms maximize profits in competitive markets, that representative workers care only about earnings and effort, and that both firms and workers have perfect information. These assumptions are unrealistic. In 2015, about 30% of all wage earners in the U.S. were employed either by the government or by non-profit organizations. The percentage of workers in care industries (primarily health and education) employed outside the private for-profit sector was even higher—about 48% (Folbre and Smith 2017). Conventional measures of the “output” of education and health care are, like measures of the “output” of government, based only on the

value of the purchased inputs, which represent only a small portion of their total value (Abraham and Mackie 2005).

Even for-profit firms providing care services cannot fully observe their workers' effort or productivity. Imperfect competition creates an environment in which wages are partially determined by employer bargaining power (Manning 2003; Taylor 2007). Firms with market power earn extra profits, or rents, and some workers are able to capture a share of these. Their ability to do so is influenced by the characteristics of the industry and occupation in which they work.

Economists tend to describe desirable job attributes as those offering benefits to workers, not to employers, consumers, or society as a whole. But a paid employee who provides a gift of additional effort above and beyond job requirements lowers the market cost of service delivery. Depending on market structure and the elasticity of demand, this gift may benefit firms or consumers or both (Frank 2010). An interesting—if extreme—example is provided by for-profit organizations that offer “volunteer vacations,” matching volunteers who are willing to pay for the experience with organizations that can effectively utilize them. In this case, the benefits produced by the volunteer work itself obviously go unmeasured.

Economists sometimes suggest that public sector workers earn less, on average, than those in the private sector because they are risk averse, willing to sacrifice pay for job security (Dohmen and Falk 2007). Yet evidence suggests that many public sector workers are partly motivated by a desire for public service (Perry et al. 2010). They may earn less than others not because they are risk-averse, but because they care about those they serve. Empirically, it is difficult to distinguish between the two interpretations: that, in a sense, is the point. One could describe caring preferences, like other personal traits such as conscientiousness, as “efficiency-

enhancing” (Bowles et al. 2001). But unlike the other traits that are typically included in this category, caring preferences also appear to be “pay-lowering.”

Imperfect information is also relevant here, shaping labor market outcomes in different ways in different jobs. Employers who find it costly to monitor worker effort may pay workers an efficiency wage above the market-clearing wage in order to increase the cost of job loss (Stiglitz 1975). Standard efficiency wage models assume the employer finds it costly to measure worker effort, but can easily measure the effect of effort on the worker’s marginal revenue product. In care work, the information problem is reversed: the employer can often rely on emotional attachment or other types of intrinsic motivation to provide effort, but either cannot measure or cannot directly capture the effect of increased output through increased marginal revenue product. This problem may contribute to lower wages: Willingness to work for lower pay can be interpreted as a signal of quality when employers want to select for a high level of intrinsic motivation (Hayes 2005; Folbre and Nelson 2006; Taylor 2007).

The greater the difficulty of measuring output, the lower the likelihood that pay is a function of the value of output. When services are provided through government or by non-profits, the price that consumers pay is not an indicator of the value they receive. Joint production creates additional complications, even for private for-profit firms. Market care providers sell a service input whose contribution to an output called “education” or “health” is significantly influenced by the characteristics of consumers. Production synergies combine with individual heterogeneity to make it difficult to identify a paid worker’s specific contribution.

Measures designed to reward employees for their performance are much less common in the care sector than elsewhere in the economy. Payment schemes (such as capitation or quota systems) do not directly measure quality of output and may actually penalize it (e.g. paying a

teacher or nurse by how many students or patients are served in a day). Survey data shows that the median bonus as a percentage of total compensation is about 40% for salespersons but only about 2% for administrative assistants, social workers and nurses (Lazear and Shaw 2007).

Teachers and their unions tend to be critical of pay-for-performance measures that rely heavily on standardized tests, arguing that these fall far short of their own occupational goal of developing students' larger capabilities and also discourage collaboration among teachers (Rosales 2014). In general, rewards for easily measurable performance tend to reallocate effort away from more intangible goals (Holmstrom and Milgrom 1994). Empirical assessments of the impact of pay-for-performance programs for teachers may shed light on their incentive effects on teachers (Briggs et al 2014). However, they will not be able to measure impacts on students' engagement with learning or commitment to improving their skills.

Many of the factors creating unique circumstances for care work can be summarized in a modified supply-and-demand framework. Willingness to provide care out of concern for the wellbeing of care recipients implies a highly inelastic supply curve for care services: wages can be reduced significantly with only a small reduction in supply. The social benefits of care work (positive externalities) imply that the actual value of services is far greater than the observed price.

Both explicit discrimination against women in highly-paid occupations and demands for extreme hours of work in those occupations that women with family responsibilities are unable to provide effectively reduce the demand for women workers. This crowds them into lower-paid occupations, further reducing the market wage. The difficulty of measuring the quality of paid care services has the effect of reducing the demand for high-quality services in particular. All

these factors lower the wages offered to women and can be interpreted as different dimensions of a care penalty.

Bargaining in the Polity

Both the time women devote to family care and the lower earnings they receive in paid employment reduce their ability to influence public policy. They also face a difficult political dilemma: many policies designed to provide support for unpaid care can have the effect of reinforcing women's specialization in care provision. Policies designed to increase men's participation in family care, such as the "use it or lose it" paid leave benefits offered to fathers in many Nordic countries, seem to have little support elsewhere in the world. It seems easier for women to purchase substitutes for their unpaid care time (often from other women) than to mobilize support for public provision of child care and paid leaves for family care. Policymakers can take both unpaid and paid care for granted partly because its supply, largely determined by norms of feminine obligation, is relatively inelastic.

Many public policies affect the tradeoff between unpaid and paid work. Empirical studies show that the motherhood penalty is lowest in Nordic countries that both encourage and facilitate maternal employment with policies such as paid family leave from work and publicly subsidized childcare (Budig et al. 2012; Gangl and Ziefle 2009; Sigle-Rushton and Waldfogel 2007). In much of continental Europe, exemplified by Germany, support for parents takes the form of policies that encourage mothers to drop out of paid employment. A longitudinal study of employer family policies in the U.S. also shows that they can be either a blessing or a curse—making it easier to accommodate family needs, but, in the process, slowing women's progress in paid employment (Glass 2004).

Low-income women in the U.S. are sharply affected by paid work requirements that restrict their eligibility for Temporary Assistance to Needy Families and other benefits. Care for one's own children is not considered a form of work. Providing exactly the same services to another family's child for pay, on the other hand, can potentially yield a substantial subsidy through the Earned Income Tax Credit. Many low-income parents could increase their income if they were simply willing to swap children from 9 to 5 every weekday (Folbre 2013). The cash assistance that is made available to some low-income parents on a time-limited basis is far lower than the cash assistance provided to foster parents to undertake similar responsibilities. Within the foster care system, kin caregivers who meet licensing requirements are legally eligible for the same payments as other caregivers. In practice, however, they are often paid less and offered less support (Schwartz 2002). Indeed, some have argued that "the level of support provided to anyone caring for a child should be in inverse proportion to that person's legal and social obligation to care for the child" (Hornby et al. 1996). It is difficult to imagine a more explicit care penalty.

In recent years, Medicaid subsidies for home- and community-based care of adults and children with disabilities have shifted toward consumer-directed programs that allow eligible persons in need of assistance to use public funds to hire family members. This shift is generally considered to have improved care quality while reducing expenditures on institutional or nursing home care for all recipients except those with intellectual or developmental disabilities (LaPlante 2013). However, policy makers have voiced considerable anxiety over the possibility that many families providing unpaid care would come out of the woodwork to request public remuneration for work that they might otherwise be willing to perform for free. This so-called "woodwork effect" is the topic of an entire issue of the *Journal of Aging and Social Policy* published in 2013.

Current policies clearly reflect efforts to avoid paying for services that might be freely provided. For instance, while most states allow participants in consumer-directed Medicaid programs to hire a daughter or son, they do not allow hiring of a spouse, the family member most likely to provide care. One explanation for such exclusion is that it would be difficult to monitor and verify the services actually provided, but this concern surely applies to adult children and family friends as well. A more plausible explanation is that spousal care is considered a moral obligation. Ironically, ex-spouses typically are eligible for payment, creating a financial incentive to divorce.⁵ While home caregivers are seldom surveyed, one earlier study found that they were paid significantly less than caregivers hired through an agency, and also provided many more hours of care than they were paid for (Benjamin and Matthias 2004).

One could argue that policymakers are simply seeking to minimize costs to taxpayers. But in the process they are clearly imposing a penalty that is economically substantial because intrinsically motivated caregivers are reluctant to bargain over the price of their services by threatening to withhold them. Still, some implicit bargaining takes place. The transition to below-replacement fertility rates in many areas of the world, including Japan, Korea, Italy, and Spain, has been interpreted as a “birth strike” resulting from lack of adequate public or private support for childrearing (Lewis 2006).

Conclusion

Specialization often increases efficiency. But specialization can have dynamic consequences that favor one party more than another. For instance, a country with a comparative advantage in bananas gains from trade with a country with a comparative advantage in

⁵ For a consumer-oriented discussion of these issues, see <http://www.payingforseniorcare.com/longtermcare/resources/cash-and-counseling-program.html>

information technology. But in the long run, specialization in banana production is less advantageous than specialization in information technology, because the income elasticity of demand for bananas is low and their production does little to develop the capabilities of a nation's workforce.

Unlike bananas, care services are indispensable to basic standards of living and sustainable economic development. Those who provide them, however, wield relatively little bargaining power in the family, the labor market, or the polity. As a result, they consistently experience economic disadvantage. The distinctive features of care work influence both the demand and the supply for care services, depressing their average remuneration and discouraging the development of public policies that support unpaid care. Historically, gender and care have been closely linked. But care penalties can affect men as well as women. Regardless of gender, individuals who take responsibility for the care of others face a disadvantage in short-run competition with similar individuals who lack or decline such responsibility.

This analysis has implications that reach beyond measurement of the care penalty. It helps explain both the emergence of patriarchal institutions and their resistance to rapid change. Legal rules, property rights, and norms that gave women little alternative but to specialize in unpaid care provision both guaranteed an ample supply of care services at a relatively low cost and amplified male power over women. As economic transformation pulled women into paid employment, they gained sufficient economic independence and bargaining power to challenge traditional patriarchal institutions. However, their progress has been and continues to be hampered by a bargaining asymmetry: caregivers are inherently reluctant to threaten the withdrawal of care services.

Altruism—especially altruism towards dependents—offers a solution to a contracting problem that more instrumental exchange cannot solve. Caring preferences could be weakened by economic trends that render them more costly to develop and maintain, including new opportunities for the successful pursuit of more selfish goals. Because caring preferences create positive externalities, they can be construed as an unpriced resource subject to over-exploitation or a form of social capital subject to depreciation. Intrinsic motivation is not necessarily crowded out by extrinsic rewards and may, under certain conditions, be strengthened by it (Frey 1997). As a result, one way to mitigate the care penalty would be to provide more private and public remuneration for care work.

But the analysis presented in this chapter suggests that this strategy, alone, may not be sufficient, since it could have the effect of reinforcing the existing gender division of labor and impeding further change. In the long run, all of us would benefit from social norms and public policies that encourage equitable sharing of care responsibilities.

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