

**Decision Making on the Job, Career and Family, Childcare**  
**What Happens Next – 10.24.2021**  
**Claudia Goldin QA**

Larry Bernstein:

Thanks, Claudia. I wanted to ask a question related to David Deming's introductory remarks about the change in work over the last century. He mentioned the dramatic decline in agriculture and in manufacturing and more towards the service economy. And the physical demanding work was a natural benefit for the brawny male relative to a female. But those advantages are now gone. How should we think about this transition towards the skills that David was mentioning, team building, et cetera, that favor women? And is this something that's something much more gender neutral?

Claudia Goldin:

So the change from brawn to brains is an extremely important shifts across from the late 19th to the early 20th century, that led to the rise of women in the labor market, particularly for the more highly educated women. So when the primary jobs that were available were the brawn jobs, norms began to form. And these were reinforced by age old norms for lots of different reasons, to protect children, that women should not work. Not just women with young children, but women shouldn't work. And one of the reasons was that if a married woman was in the labor market, it was an indication that her husband was slothful. And so it was a norm that put pressure on men to be good workers and provide for their families and not go to the bar and drink too much.

But as the world shifted from... And this was actually pretty early in the 19-teens and the 1920s, saw an explosion of white collar jobs, of the brain jobs, not brainy-brainy jobs, but not the brawny jobs. More women entered the labor force and women could stay in even after they were married because the norm began to disappear. And so the shift has been of utmost importance and we see it played out in country after country, in the histories of many countries, in terms of the rise of women, particularly adult married women in the labor market. But let me shift to what David said, and I hope to bring him into the conversation. Because some of what he said in fact could turn this against women's employment and women will be swimming like salmon, attempting to swim upstream.

And here's the issue. Some of what David is saying is that the individual who has more continuity in the labor market does better. This notion that earnings rather than peaking when people are younger or peaking when they're older is in fact an indication of the returns to labor market experience. And if women still have breaks in their labor market experience, if women still work in part-time jobs at certain moments in their lives, then this greater advantage, this increase in the returns to experience, in fact will be going in the other direction for women or has been. I shouldn't say "will be" because what he's talking about is something that has already happened. So David, do you see a gender component in what you're working on?

David Deming:

That's a great point, Claudia. And yes, in the sense that these patterns that I described, while they hold for men and for women, they are more pronounced for men than they are for women. So you still see the age earnings profile, getting larger and shifting later for both men and women. But if you do the decomposition, this seems to matter more... I hadn't actually thought about what the implications are for gender equity, but given what I'm saying, I imagine it would probably make the problem worse. And I think the intuition is exactly right.

It's not that a shift to the service economy is inherently gender-biased. In fact, if anything, it looks like those jobs are more female friendly, some of them. But what happens, as you say, is if your job is client-focused, so if you're up on the partner track at a high-profile law firm or in a consulting firm, your job is to basically be available 24/7 for your client. And people with childcare and other external responsibilities who in our society are mostly women can't afford to do that. And that takes them off the track. And so I think what you're saying is exactly right, and something that it seems like an important thing to work on as we try to push toward more gender equity in the workplace.

Claudia Goldin:

Yeah. I think that it's feeding into my definition of greedy jobs. But I think it's even more in the sense that it has to do with the growth of management and the impact of scale as well, has increased the value of individuals who it's not just that they're working an enormous number of hours in each year, but they have enormous continuity and they have a lot of experience in being in various work environments. I think that that's the essence of what David's point is.

David Deming:

Yeah. I think that's right. One way to think about it is that there's so much knowledge embodied in a top-level worker at a big firm, in terms of decisions they made in the past, roles they've been in in the organization, and the firm really doesn't want to give that up and wants to find those people that they trust and squeeze everything they can out of them and have them stay as long as possible. And that continuity does harm people who by necessity have to interrupt their work histories. So yeah, I think I'm in violent agreement with you, Claudia.

Claudia Goldin:

Sure.

Larry Bernstein:

Can I rephrase the question in a different way? Let's imagine that you've got one worker who works 40 hours a week, another one that works 50 hours a week or 25% more. And David, if you were saying that there was either constant returns to scale of experience, so if you work 10 more hours a week and you've got 25% more experience, that you'll earn a return on that extra 25 hours of work, 25% more of work. There may be decreasing returns to scale, maybe increasing returns to scale. But even if you just said it was linear, we would expect to see to the

extent that there's a gender bias in number of hours per work, then you would see that exact return to scale. Your thoughts on time and experience and skills?

David Deming:

Claudia, you should take that because this is your expertise.

Claudia Goldin:

Yeah. So here's the issue, that the question is to get to fundamentals. Why is it that there should be a non-linearity here? So let me put it in the following way. If someone works 40 hours a week and they get an implicit hourly wage, why should that hourly wage be greater, that implicit hourly wage, if they work 50 hours? So we can think about this in terms of certain fundamentals. So if you think that a client, and many of these are client-facing positions, and this is a slightly different model than the one that David was talking about, but let's say that a client is willing to pay more if at any random point they want the professional to work for them. Well, that would then mean that you would get this non-linearity. However, let's say that we can fix this by having a perfect substitute. So let's say that you have someone who is at work and realizes they have to leave for an hour to take their mother to the cardiologist.

If there was an individual there, an accountant, if there was an individual who had access to all of the information on the accounts and stepped into their office and the client calls, they could answer their question perfectly. Under those circumstances, you would retain the linearity.

Now, David's model is a little bit different. It's a different model than this. And it would say something, the fundamentals are a little bit different. And under his model, this substitutability would not get rid of the issue because his model is a model about the building up of the human capital of the individual on the fact that somehow either working these additional hours or working more years or more weeks or whatever gives that person an edge because they're learning something more about the landscape of this field. But if it has to do with this issue of substitutability, and I think much of it does, then we can go to a world that's more linear than non-linear.

Larry Bernstein:

I have a question about how compensation is structured. I've worked in industries where you eat what you kill, and it's directly related to the contribution that you provide the firm. And yet, I'm unaware that there's more equity in, eat which you kill frameworks, than it is in management determined compensation. How do you think about that as providing any information to the problem? Or maybe, what I was saying is, should women gravitate more to eat what you kill sort of environments, to help minimize gender equality?

Claudia Goldin:

You're going to have to help me about, "Eat what you kill," in the sense that I'm thinking about rainmakers that then individualized-

So, so if we're still in the world in which the givens are that one member of the couple is more on-call at home, and one member of the couple is more on-call in the office, the question is,

how can we even out things so that the on-call at home parent isn't losing out? And my answer before was we can create linearity by having greater degree of substitution as in the world, for example, of pharmacy, or as in the world of pediatricians who form group practices, or anesthesiologists who form group practices. Eating what you kill seems to me to be going in the opposite direction.

Larry Bernstein:

Yeah. Let's go down on the example of the pharmacist, which you lay out in your book. And, you give the example, I grew up in the town of Glencoe, Illinois and there was a drug store at the corner called Rehn's. And this was owned and managed by an individual. And it was a small business. And his profitability was based upon how well that store performed. It was a very challenging job. It was run by my friend, Gary Finereman's father. He was the pharmacist there and it was a good little business. And then it was sold to Walgreens. And it's now a Walgreens, and to Claudia's point, there's easy substitution among the pharmacists there now. That individual is no longer responsible for thinking about the pharmacy as a business. It no longer produces equity-like returns because he's investing human capital in a business that may create something much more valuable.

And as a result, because the pharmacists are no longer individual owned, but are mass chains, the business has become feminized, and it's now a majority of pharmacists are women. Is what's going on, is it that we've moved away from a business to a job, versus the complexities of the job, is it the simplification of the hours and flexibility that's driving this, or is it the very nature of what that business is? And then, as a final point, I fully expect, in the next few years, the pharmacy market's going to be massively disrupted. I'm waiting for Amazon to announce that they're going to deliver your drugs within same day delivery at your house.

Claudia Goldin:

I thought they did.

Larry Bernstein:

I think they're in process.

Claudia Goldin:

They just did.

Larry Bernstein:

So I imagine that-

Claudia Goldin:

But there's still a pharmacist around. Yeah,

Larry Bernstein:

I understand. But maybe they'll be doing it, and I just imagine that the returns associated with being a pharmacist it's got about to be disrupted. How do we think about, who goes into that business now, whether or not flexible wages or flexible time is appropriate? How should we think about the pharmaceutical industry?

Claudia Goldin:

Okay, this is like many, many different questions.

Larry Bernstein:

I know, sorry.

Claudia Goldin:

Let me just take them one by one and remind me if I haven't answered them. So the first thing is that pharmacists are our number one: highly trained. And they do an incredibly good job for us. They are our first line of defense, I think, that many people who didn't think that, that there was a pharmacist back there, finally realized there was when they went and they got their COVID vaccine, and they realized that these people really are often the first line of defense. When you feel ill, you might go to your pharmacist, and explain what's going on, and they'll give you some ideas, and then tell you whether you should call your physician or not. They are incredibly, highly trained, and they're also very highly remunerated, so they're way up there on the income scale.

Now, the switch from self-ownership to corporate ownership, there were two other changes as well that were incredibly organic, and that led to a far more linear relationship between hours worked and earnings. Which is what I was talking about before, which would be extremely good for individuals who, every now and then need to work fewer hours, or fewer weeks in the year. And the other changes were very much more standardized drugs, and also information. Remember, I said that information technology was such that you could pass along information with very, very high fidelity, then no one would care whether you were the tax accountant that they had seen last year, or this other person was the tax accountant. Very few people go to the pharmacy and say, "I gave my prescription to Joe, but now Leticia's there and she doesn't know me." But in fact, pharmacists know everything about you.

So, the point is that these were changes that improved the working conditions, and the remuneration for anyone who wanted to work part-time at some time, or work various hours, or call, let us say, the shots. So yes, the residual claimant used to be a guy, and he used to hire female pharmacist. And by the way, the field of pharmacy may look more quote, "Feminized," but there has always been for a very, very long time, a very large fraction, a pharmacists were women; they just didn't own the shop. They were the part-time employee who worked for the owner.

And finally, here, in terms of Amazon stepping in, there are a very large number of mail order pharmacies now. And in those mail order pharmacies, are a lot of the same, very highly

educated, well paid individuals, whom yes, we still depend upon as our first line of defense against various disorders and diseases.

Larry Bernstein:

I was thinking about this concept of this inflexible greedy work, and the high returns to greedy work. And your plan is to reduce the benefits related to greedy work, or allow firms to come up with methods so that the benefits of greedy work decline. And I was thinking, who's going to be the chief beneficiary of that? Will it be the shareholders, or will it be the women workers? Because I would think that-

Claudia Goldin:

Both.

Larry Bernstein:

Okay. And why? Why would we pay the women more? Why can't they just go to the shareholders?

Claudia Goldin:

Well, the idea is mainly to make the flexible jobs more productive. And in many ways, that's what's happening in the new world that we're in. I'll give you an example; so it used to be that if you were a consultant, or if you were in finance, or if you were in accounting, that you would go to Tokyo to close a deal, that you would go to Zurich to do the M&A, that you would go to Beijing to sign the contract. Under those conditions, there would be a flexible job in which you didn't do all these things, and you didn't get the benefits from them. So the greedy job is the one in which you did all this traveling, and you were compensated for doing that, and you are earning \$250,000 a year because you aren't seeing your kids on the weekends, you're not going to the soccer game. You're missing out on this. You're missing out on all the wonderful joys of being a parent, which is why you had the kids in the first place.

So, the shift that we've now seen is that over the past year, we haven't been doing the M&As in Tokyo, or signing the contracts in Beijing or Zurich or whatever, and yet these things have been getting done. And so, it's quite possible that the beneficiary of this will be just about everyone. We will not have to spend the money on travel, the flexible job in which the individual couldn't do this traveling, now the person will be able to do all these deals and not have to travel. So this is a technological change that we suddenly grasped, because of the terrible pandemic. This is the great silver lining to that terrible dark cloud that's been hanging over us. And somehow, this could be a means, at least in the example that I gave, around greedy work.

But, let me answer your point a little bit better, because markets work. And if it's the case that more and more men say, "I want more out of life. I don't want to be in a job that requires that I'm here 60 hours. I want to go home for dinner at five or six o'clock." Then they're going to walk into someone's office and say, "You're paying me a lot, but you know what? You're going to have to pay me double this to get me not to have anything to do with my family. Okay, I

don't like this. This is bigger than The Great Resignation. I want more." Well, hearing that the firm is going to say, "Hmm, we should do something about this. Maybe there's a better way?"

Larry Bernstein:

Right. Or that could result in greater payments for inflexibility, and greater equity associated with it.

Claudia Goldin:

Exactly. But that's the point about the market? So this, this would say, "Oh, so you're making a half a million a year and you're asking for 2 million. Okay, I'll just give you 2 million." Well, then you say, "Who pays?" The stockholders pay.

Larry Bernstein:

One of the things that you said was, "We should think about a couple equity," and economists used to think of family as the unit, not so much the individual, and thinking about it, going back to the 19th century, when we had agriculture, it was a family unit on that farm. And now we have a family unit that, a wife works in one firm and potentially the husband works in a different firm. And then, the family unit has decided, how are we going to care for these kids? How are we going to care for our parents? Who's going to take my mother to the cardiologist? As you said. We have to kind of all figure this thing out. And each spouse makes decisions about how to maximize family dynamics. Why do we think that the current decisions that are being made are in some way suboptimal? Why this decision that women spend more time with the kids and helping the parents with medical care is suboptimal in some way? And why do you think it will change, given future preferences in terms of how that work gets done?

Claudia Goldin:

So, it's suboptimal because I mean, the point is that if we have two individuals, why should they have a different opportunity for career and family in their lifetimes? And the way things are now, there's sort of a set of traditions, one might call them social norms in which, over a long history, we see that this is getting less and less, but it's still the case that women take the backseat. And as I said, when couple equity is jettisoned, gender equality is thrown under the bus. We seem to worry, as a nation, as people, that women earn less than men. We worry about that, we talk about it all the time and to explain why that's the case, we talk about the cockroaches. We talk about gender bias, and hiring, and discrimination, we don't talk about the big thing, which is the issue of couple equity. So if we are interested in it, we should understand what the real issue is, what the real problem is. If we want to solve gender inequality in the labor market, then we have to admit that this is where it's coming from.