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How Care Work Employment Shapes Earnings in a Cross-National Perspective

- Revised Draft –

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Summary

This report investigates the effect of employment in a job involving care work – conceptualized as work in occupations where workers provide face-to-face services that strengthen the physical health and safety or the physical, cognitive, or emotional skills of those they serve – on the relative earnings of both men and women workers in twelve countries that represent a range of economic and political policy contexts. In addition, this report descriptively explores the characteristics of workers engaged in care employment and how these vary cross-nationally. We examine how much of the effects of care work employment on wages can be attributed to differences in worker characteristics such as educational attainment, age, gender, and nativity. Importantly, where possible, we disaggregate our category of care workers into smaller occupational groups, namely physicians, nurses, primary/secondary teachers, university professors, and domestic workers versus all other care workers to examine whether the effect of care work employment on earnings varies by the type of care work performed. We also discuss three major explanations for the potential differential pay of care workers: cultural devaluations of care work due to its association with 'women's work,' economic tensions due to the expense of high quality care provision, and political factors shaping labor market and social inequalities regarding care work. We consider how national context and social policies – including the degree of country-level earnings inequality, size of public sector, immigration, and labor union density – shape variation in the relative net effects of care work on earnings.

Generally, in terms of family structure, age, and demographic characteristics, care workers are fairly similar to the overall workforce within each country, although they are more likely to be women. However, care workers differ, both in terms of their educational attainment and in the characteristics of their jobs, from workers in non-care employment. Both men and women care workers tend to be more highly educated than those not in care work and more likely to be in professional jobs and public sector employment. These measures would suggest that care workers should earn more, all else equal, than those outside of care work. Yet, results show the unadjusted earnings of care workers in most countries are about the same as non-care workers, despite the higher skills of care workers. That care workers do not exceed non-care workers in unadjusted earnings may be related to the fact that care workers are more likely to be in occupations and industries predominantly staffed by women. In regression analyses, we find frequent net gaps in earnings between care workers

and non-care workers, once we control for educational attainment, potential experience, and other worker characteristics.

Regression results show that care employment frequently, but not always, entails wage penalties, which means wages lower than would be expected, controlling for other factors. While this finding is not always true for some subcategories of care occupations, namely physicians, among men, care employment more consistently has negative effects on earnings. In countries where negative effects for care employment are also found among women, the size of these care penalties is often larger for women, compared to men. Worker characteristics, particularly education and potential experience, do not account for the effects of care work on earnings. Indeed, education appears to have protective effects vis-à-vis care employment by mitigating care penalties and increasing care bonuses. If care workers did not have higher amounts of education, on average, compared to non-care workers, the effects of care work on earnings would be less positive/more negative. The fact that care employment is more gender segregated than non-care employment, in the direction of being female dominated, accounts for some but not all of the penalties incurred by care workers.

We also examined whether the effects of care work employment are moderated by location of care work in the public sector, part-time employment, professional status of worker, and nativity of the worker. Across countries, we find that wage penalties for care work tend to be larger among professional workers, among full-time workers, and among those working in the private sector. In contrast, wage bonuses are often associated with care work among those in the public sector and who are part-time workers and non-professional workers. Among women these types of bonuses are most consistently found in Sweden, Germany, and the Netherlands and among men these types of bonuses are found in Sweden, Germany, and Canada. We draw few conclusions from our immigrant status analysis, due to data limitations and inconsistent effects. For a subset of countries, we disaggregated care work into a number of occupations where we expected effects of the particular form of care work on earnings might vary, either due to the skill requirements of those occupations or due to the labor market and government systems regulating those occupations. Generally we found that medical occupations, particularly doctors and nurses, are associated with fewer wage penalties or larger wage bonuses. In contrast, educational occupations (teachers, professors) and domestic employment are more often associated with larger wage penalties, particularly for women. This set of analyses points to the importance of considering different forms of care work separately when analyzing earnings.

In terms of policy context, we examined whether labor market policies, social inequality, and work-family policies matter in explaining wage penalties in respect of care. While we did not find that work-family policies, such as maternity and parental leave, family allowances, and family tax systems, mattered for the relative earnings of care workers, we did see consistent patterns in regard to labor market policies. Our analysis presents strong results indicating that where income inequality is greater and where the public sector is smaller, higher wage penalties are incurred for performing care work. On the other hand, where income inequality is low and the public sector is large, those in caring occupations may even earn care bonuses. Our results here are more suggestive than definitive, but point to arenas where social and labor market policies may influence the relative pay of care workers.

Introduction

Over the last several decades, with the entrance of larger numbers of women across the globe into the paid labor market, care sectors of the economy have seen tremendous growth. Yet, as many scholars note, 'paid care work is devalued and underpaid' (Cancian 2000:136; Cancian and Oliker 2000; Lewis 2001; Abel 2000; Folbre 2001a; Tuominen 2002; Abel and Nelson 1990), even though care clearly deserves both 'public recognition and reward' (Folbre 2001a:232). We focus on wages in paid care work – conceptualized as work in occupations where workers provide face-to-face services that strengthen the physical health and safety or the physical, cognitive, or emotional skills of those they serve – and examine how it is recognized and rewarded across different national contexts (England et al. 2002).[1] Other definitions of care work might be broader (for example, including restaurant workers as providing sustenance) or narrower (for example, focusing upon occupations such as childcare workers or nursing home attendants). Our approach takes an intermediate position by focusing on care work as face-to-face human interaction between provider and recipient that develops or maintains the capabilities of the recipient.

Taking a comparative approach to care work across twelve countries, we wish to understand whether there is variation in the wages for care work relative to wages in non-care employment. We examine whether wage differences between care and non-care workers can be explained by differences in worker characteristics or job characteristics, considering how both men's and women's wages may be affected by engaging in employment in care work. Next, we consider whether wage differences between care and non-care employment may be

[1] We conceptualize care work carefully in order to avoid including a broader range of 'interactive service work' such as that done by waiters or receptionists (Leidner 1993; England et al., 2002). While interactive service workers more broadly face wage penalties, we are most interested here in the wage penalties associated with caring labor. However, there are clearly other approaches to conceptualizing care work.

explained by occupational gender segregation by examining whether variations in the proportion of women in the occupation and industry are related to wages to help explain differences in wages for care and non-care employment. Importantly, we consider how any variations in the effects of care work on wages, controlling for worker and job characteristics, may relate to differing labor market contexts, such as the proportion of care work employment taking place in the public sector. Finally, in our individual-level analyses we disaggregate our measure of care workers into particular medical, educational, and private service occupations to examine variation in the effects of these different forms of care work on earnings. We then turn to macro-level analyses to situate our findings within a broader framework of country differences in inequality, worker political strength, and the socialization of care work. Our greatest contribution lies in considering the cross-national variation in how employment in care work is associated with wages.

Examining care work allows us to consider larger issues of gender, of inequality, and of the value of care to society (Daly 2001a; Razavi 2007).[2] Care is a profound and central experience in human lives, making it an important subject of inquiry. While a substantial proportion of care work is performed without pay, in this paper we focus on wages for employed care workers, who comprise a growing segment of the paid work force.[3] Yet, we do not mean to de-emphasize the importance of unpaid care, and see unpaid care and paid care as deeply intertwined, reflecting societal ambivalence regarding to what extent care should be a 'private' or 'public' activity (Ungerson 2000; Daly 2001b).[4] Indeed, there are significant issues about the relationship between family provision of care and market provision of care, while the state plays its own role by providing and supporting care or placing and shifting responsibility for care from the state to the private sector and/or families.[5] By looking across a range of countries – including a variety of wealthy welfare

[2] For example, workers have also been drawn into commodified care in different ways. Evelyn Nakano Glenn (1992) powerfully indicates this point in her analysis of the racial division of paid reproductive labor, showing historically how, in the United States, gender and race systems have been constructed to devalue racial/ethnic minority women's care of their own families, while appropriating their labor for the care of white families.
[3] As Folbre and Nelson (2000) document, the proportion of professional and domestic care workers in the United States labor market doubled in relative size between 1900 and 1998.
[4] Unfortunately, our study does not allow us to examine caregivers who earn wages or symbolic payments from the state to care for family members, or analyze the penalties paid by those who provide care for their families for free (Ungerson 2000). But the existence of such arrangements should reiterate the difficulties of separating private and public care.
[5] Folbre (2001a:67) discusses a National Family Caregivers Association report that shows that the value of the services provided by U.S. family caregivers can be estimated at $196 billion a year.

states, post-socialist countries, and developing economies – we reflect on the role of the state and its policies in supporting wages for care employment.[6]

Effect of Care work on Relative Earnings

Wage studies predict that certain characteristics of the workers (e.g., educational level) and jobs (e.g., managerial positions) affect the wages paid in these jobs. Wage penalties, however, come into play when workers with similar characteristics in jobs with similar characteristics are paid less because, for example, they are engaged in care work. By controlling for the attributes of workers and their jobs that affect wages, we can determine whether there remains a penalty or a bonus for workers engaged in care work.

One previous study has documented clear wage penalties for workers engaged in care work in the United States. England et al. (2002:468) found in fixed effects models[7] that, controlling for changes in the characteristics of both individuals and jobs, U.S. 'workers generally experience a decline in wages when they enter a care occupation, and an increase when leaving care work.' Indeed, this study estimates a 5-6 percent pay penalty for doing care work,[8] controlling for a host of factors including education and background of the workers, and characteristics of the job such as whether it is female-dominated, public sector, or unionized.[9] Therefore, strong evidence exists that U.S. workers pay penalties for engaging in care work. However, we do not know whether these penalties exist more widely, and would expect some differences based on labor market and social policy context, which is why we look across a range of countries in this study.

What might explain wage penalties to care work, if they exist? Economic factors may help explain lower wages among care workers. Care work may be less profitable, or even less economically sustainable, due to the intensive labor demands of care work.[10] Baumol (1967) noted that service provision would have slower productivity growth and higher rising labor costs than manufacturing where labor can be replaced more easily with technology. While

[6] We examine the impact of state provision of care, by comparing public and private sector care work, to test whether such provision leads to higher wages for caregivers or strengthens gender equity as argued in past research (Daly 2001b; Razavi 2007). However, state provision of care may also weaken individual rights of care recipients, and may reflect other problematic tensions.

[7] Fixed effects models assist in controlling for unobserved heterogeneity when this heterogeneity is constant over time. This constant can be removed from the data, for example, by subtracting each individual's means from each of her/his observations before estimating the model.

[8] The occupational exception in this study were medical occupations other than physicians, a category largely dominated by nurses, who experienced an 8 percent bonus in hourly wages in contrast to all other care workers.

[9] See also, earlier, somewhat broader analyses of 'nurturant' work (England 1992; England et al. 1994).

[10] The strong interpersonal nature of care work cannot be completely replaced through increasing the usage of productivity-enhancing technology, although other forms of service work, such as insurance and banking, have benefited from innovations in information technology (England et al. 2002).

some types of service provision have escaped this prediction, in part due to advances in information technology, 'productivity growth has been and is likely to continue to be slowest in care services requiring personal and emotional contact' (Folbre 2001b:180; Folbre 2001a, 2008). The 24-hour 365-days-per-year demands of care provision for the young, the sick, the disabled, or the elderly place a ceiling on profits and create trade-offs between the cost-containment and quality of care services. As Razavi (2007:11) comments, 'The difficulty of increasing productivity without cutting into the quality of output is in fact one of the distinctive features of care work.'

Care recipients or care providers (or often both) absorb the high costs of care through higher fees and lower wages (Meyer 2000; Daly 2001a). Employers may attempt to contain costs by speeding up care work[11] and/or by employing workers disadvantaged in the labor market on the basis of ascribed attributes (gender, race, immigrant status) and achieved attributes (human capital) (Glenn 1992; Folbre 2006). Importantly, the vulnerability of most care recipients hampers their ability to pay ever-higher amounts for care services, also limiting profitability or unsubsidized sustainability of this type of work (Meyer 2000; England et al. 2002). As Folbre (2001a: xv) notes, 'the increased cost of care … means that more people, especially children, the elderly, and other dependents, cannot always afford the care they need . . . [and] increased pressure to cut costs leads to reductions in the quality of care. . .' In sum, the reduced ability of care businesses to reduce labor costs by replacing care workers with technological innovations (as is done in other sectors of the economy, including the broader service sector) combined with the high elasticity of the price of care work (given the lower ability of care recipients to pay for services) results in both lower profitability/unsubsidized sustainability of the care sector and depressed skill-commensurate wages for care workers. In this way, care workers face wage rates that are low, particularly relative to the human capital and skill level requirements of their jobs.