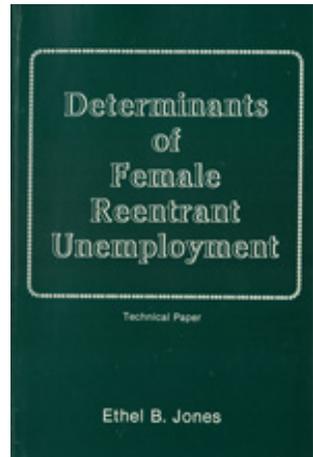


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The Problem

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Determinants of Female Reentrant Unemployment

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The Problem

Approximately 40 percent of the unemployment of women takes place at the stage of moving into the labor force. The assumption of economists appears to be that a spell of unemployment inevitably accompanies women's movement into the labor force, although virtually no attention has been focused on examining the validity of this assumption. Since our research indicates that movement into the labor force does *not* always involve a period of unemployment, we develop and estimate a model for examining the set of conditions that determine the extent to which entrant and reentrant unemployment does occur.

The Natural Rate

A vast economics literature concerning the relationship between unemployment and price change followed the publication of the original Phillips article [1958]. One of the developments of that literature was a concern with the "natural" rate of unemployment. This rate, as defined by Friedman, is one consistent with real wage growth that follows a ". . . rate that can be indefinitely maintained so long as capital formation, technological improvements, etc., remain on their long-run trends" [Friedman 1968,8]. When policymakers use an unemployment rate as a macro target and misread the natural rate, the ensuing policies will be either inflationary or deflationary. The natural rate can be misread when structural changes are taking place in the composition of the labor force but are not taken into account in

using the observed aggregate rate of unemployment as a target of macroeconomic policy. Among the structural changes in recent decades, as noted by Friedman and others, is that women have become a larger fraction of the labor force. Describing women, teenagers, and part-time workers, Friedman has observed [Friedman 1977,458]:

These groups are more mobile in employment than other workers, entering and leaving the labor market, shifting more frequently between jobs. As a result, they tend to experience higher average rates of unemployment.

One outcome of the concern for the relationship between the level of unemployment and, for the recent period, inflation has been the production of estimates of the role of demographic characteristics upon the level of the observed unemployment rate [see, e.g., Cagan 1977; Flaim 1979; Gordon 1973; Gordon 1977; U.S. Office of the President 1977; U.S. Office of the President 1978]. In 1980, a presentation by James Tobin took note that “one regularity of Brookings panel meetings and papers has been the relentless rise in numerical estimates of the full-employment rate of unemployment” [Tobin 1980, 58]. Regardless of the political persuasion of the source of the estimate, all accord the importance of studying the impact of the rising labor force participation rate of women and the subsequent effect of the increased proportion of the labor force constituted by women upon the secular rise in a “full employment” rate of unemployment.¹

The potential demographic impact of the increased proportion of women in the labor force upon the observed

1. A detailed study by Flaim [1979] minimizes the impact of the increased labor force participation of women upon the aggregate unemployment rate. He points out that increased female labor force participation has concentrated among adult women and that this group has a slightly lower unemployment rate than the overall rate [Flaim 1979,16].

unemployment rate arises because the unemployment rate of women is usually higher than that of men.² Economists link the higher rate to the unique dual role of women, who have major responsibility for work in the home as well as for work in the market in order to contribute to the family income stream. This dual role has meant that, for many women, their periods of market work will be intermittent, leading to more frequent reentry unemployment than men experience and hence higher unemployment rates.

Table 1-1 presents illustrative data concerning the higher unemployment rate of women and the source of the male-female unemployment rate difference for selected years of low and high total unemployment during the period since the Bureau of Labor Statistics initiated publishing annual data on the reason for unemployment. According to the information provided in table 1-1 for persons 20 years of age and over, except for the present recession, the unemployment rate of women exceeded that of men from a low of 20 percent in a year of high unemployment (1975) to 76 percent in the year (1969) at the end of the strong economic expansion of the 1960s. When unemployment is examined by source, we observe until the 1982 recession that the level of rates by sex are similar for job losing and leaving. The major reason for the sexual difference usually lies with reentry unemployment. For the observations of table 1-1, this source contributed between approximately one-third (1975 and 1982) and one-half (1969) of the female rate.

Spells and Duration

Beginning in the 1970s, the understanding of unemployment acquired a new perspective. While not abandoned, the

2. This relationship does not hold for the climb in unemployment rates from 1981 to 1982. The unemployment rate of men 20 years of age and over was higher than for women of this same age group during the first six months of 1982 [U.S. Bureau of Labor Statistics 1980, 1981, 1982].

Table 1-1
Employment Rates by Sex and Reason

Selected years	Persons 20 years of age and over								
	Total	Total		Job losers and leavers		Reentrants		New workers	
		Male	Female	Male	Female	Male	Female	Male	Female
1969*	3.5	2.1	3.7	1.6	1.8	.5	1.7	.1	.2
1971 +	5.9	4.4	5.7	3.4	3.3	.9	2.3	.1	.2
1973*	4.9	3.2	4.8	2.4	2.5	.7	2.0	.1	.3
1975 +	8.5	6.7	8.0	5.6	5.1	1.0	2.6	.1	.3
1979*	5.8	4.1	5.7	3.1	3.0	.8	2.3	.1	.4
1982 ^a	9.3 ^b	8.6	8.1	7.2	4.9	1.2	2.7	.2	.5

SOURCES: U.S. Bureau of Labor Statistics, *Handbook of Labor Statistics, 1978*, Bulletin 2000, Washington, DC: U.S. Government Printing Office, 1979; *Employment and Earnings*, 27 (January 1980), 28 (January 1981), 29 (various issues); and U.S. Department of Labor, *Employment and Training Report of the President*, Washington, DC: U.S. Government Printing Office, 1981.

*Cyclical low; + cyclical high.

a. Average for first eight months of the year.

b. The total rate is calculated from seasonally adjusted data.

older emphasis on unemployment by type according to the categories of frictional, structural, seasonal, and cyclical gave way in analysis to the framework of studying an unemployment rate as a function of the dimensions of the number of spells of unemployment and the average duration of a spell of unemployment. The measured rate of unemployment depends upon a person not being employed and being available for work during the reference week of the monthly survey. If, between two groups of individuals, one group more frequently enters the state of unemployment, the number counted as unemployed during the reference week for that group will be higher. In addition, the probability of being observed as unemployed during the reference week will be greater for the group having a longer period for each unemployment spell because their unemployment spells are more likely to overlap the survey reference week.³

Within the conceptual framework of spells and duration, the consensus is that, compared to the unemployment rate for men, the higher rate for women is generated by their more frequent spells of unemployment [Hall 1972; Hall 1970; Marston 1976] instead of their relative position with respect to the mean duration of a spell of unemployment.⁴ Thus, our study concentrates upon the dimension of the spells of unemployment.

3. For a statement of the relationship between the unemployment rate and spells and duration, see Marston [1976].

4. An exception to this view appears in the work of Barrett and Morgenstern [1974], who held that the higher unemployment rate for women lay with their longer duration of a spell of unemployment. Their labor force turnover figures were slightly higher for women than for men. Stafford has contended that “[o]verall, one can conclude that the duration of unemployment is not very different between men and women” [Stafford, 334]. Marston [1976] has argued that women have shorter spells of unemployment than men but that the difference in duration does not offset the greater spell frequency sufficiently to reduce their unemployment rate below that of men.

The Standard Assumption

Despite the emphasis on the movement into and out of the labor force as the important factor in accounting for the higher unemployment rates of women, economists have made little effort to explore the nature of this process as it associates with a woman's undergoing a spell of unemployment.⁵ The standard assumption appears to be that the person reentering the labor force will undergo a spell of unemployment. Among the few examples of a specific statement of this assumption are those by Fleisher-Kniesner and Niemi. Fleisher and Kniesner observed that

[m]uch unemployment among youth and women is associated with job search almost necessarily accompanying mobility from outside the market labor force to jobs in the market sector [Fleisher and Kniesner 1980, 376].

Niemi [1974] called attention to the difference between job search from within and job search from outside the labor market and definitional aspects of labor force procedure. Because designation as employed takes precedence over unemployed, search by persons within the labor market who have a job is not enumerated as unemployment. "Employment" in the home does not take precedence over job search, so that housewives who search are enumerated as unemployed. Direct movement from outside the labor force to employment because the person is offered a job she did not seek is described as the "exception," and direct movement is noted as "necessarily" involving unemployment.

5. Two exceptions are [Blau and Kahn 1981; Jones and Long 1981]. Jones-Long included an entrant variable in a study of the impact of part-week work upon the probability and duration of a spell of unemployment by women. Blau-Kahn provided estimates of the duration and incidence of entrant unemployment for young men and young women. Because of the definitions of entrant (and reentrant), neither of the studies explicitly link the entrance process to whether the person underwent unemployment.

We have located only one piece of research that, in its procedural aspects, infers that the unemployment rate of entrants and reentrants may not be 100 percent. Fellner's [1978] attempt to understand the difference between male and female unemployment rates involved the estimation of entrant and reentrant unemployment rates for males and females. His figures were 19.0 and 17.2 percent, respectively [Fellner 1978, 106]. While we later suggest (section 2) that his procedure has certain shortcomings, his work does take issue with the point of view that movement into the labor force produces an almost certain spell of unemployment.

The Report Outline

Data sources. The data sources for this research are the 1972 National Longitudinal Surveys (NLS) of young and mature women.⁶ These surveys, each numbering approximately 5,000 individuals, were initiated in 1968 and 1967. We select for study the 1972 surveys because they are the earliest having a detailed accounting of the person's sequential job history for an identical time period with respect to both the young and mature women.⁷ We use the NLS because of the wealth of information describing a sample member's demographic and economic characteristics. Selecting a date close to the initiation of the surveys minimizes the problem of attrition of participants since the NLS did not have a replacement procedure. The persons that we study were ages 20-28 ("young") and 35-49 ("mature") in 1972.

Contents. Section 2 of this report describes our procedure for identifying an instance of movement into the labor force and whether a spell of unemployment accompanies the move. In this same section, we present our estimates of the

6. For a description of these samples, see [National Longitudinal Surveys Handbook 1975].

7. The first of the detailed labor force history surveys were undertaken in 1971. The 1971 surveys covered a one-year period for young women but a two-year period for mature women.

extent to which unemployment accompanies the shift from nonmarket to labor market activity. Sections 3 and 4 are concerned with understanding why some women accompany the shift with a spell of unemployment while others do not. In section 3 we outline the model used for examining the factors that influence the woman's probability of undergoing an entrant or reentrant spell of unemployment. In this same section we describe the variables constructed from the NLS data for testing the model. The empirical tests of the model are presented in section 4. Since the mature women were initially the main focus of our research, their findings are presented first. The last part of our report, section 5, relates our empirical findings to policy implications.

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