Assignment 2: Modeling Wage Elasticity of Working Wives

Applied Econometrics

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Summary (100 words)

Section I: Introduction (200 words)

* There have been high volumes of studies reporting the increase in women participation in the labor market and the increase in women wage in the last several decades, especially in western countries
* There can be a variety of determinants why there were such changes in women employment behaviors. Some of these determinants, according to literature, belong to the characteristics of women (e.g. education, wage, age) whereas some of them are related to their families (e.g. husband’s education, husband’s wage, husband’s age, number and age of children).
* From economic perspective the elasticity of women’s wage is one of the most important variable for predicting the employment behavior of women moving ahead
* This study focuses on the analysis of the wage elasticity of women, based on the 1991 Panel Study of Income Dynamics (PSID) surveyed family data. In addition to the variables specified above, the correlation of family expense with the labor force participation model, and eventually the women wage elasticity model, is explored.

Section II: Model Experimental Design (400 words)

* Choice of regressors: There is a whole list of regressors chosen in the literature for correlating with the wage elasticity of working women, as summarized in Table 1.
* This list includes women’s wage[BLAU1 MACUNOVICH1], tax rate [MCLELLAND1], age[BARDASI1 BLAU1 EVERS1 KAYA1 MACUNOVICH1 MCCLELLAND1], presence/number of children [BARDASI1 BLAU1 EVERS1 KAYA1 MACUNOVICH1 MCCLELLAND1], and a husband [BARDASI1 BLAU1 EVERS1 KAYA1 MACUNOVICH1 MCCLELLAND1]
* Data screening procedure
  1. Screening data making sure the household head is male i.e. the wife is a female and not a single woman family. Variable used: V19020 with 1 = male
  2. Screening the age of the women making sure the age of the women is between 25 and 60. Variable used: V19351
  3. Filter away the data with number of years of education equal to 99. Variable used: V20199
  4. Filter away the data with number of years of experience equal to 99. Variable used: V20080
  5. Filter away the data with number of years of full time experience equal to 99. Variable used:V20081
  6. Filter away the data with number of annual working hours greater than 4000. Variable used: V19074
* Method used to work out the annual house expense:
  1. Accommodation expenses: Mortgage(V19028) or rent(V19033) and Homeowner insurance(V19032). If the property tax is not included in the annual mortgage payment then the total accommodation expense includes the property tax as well. The variable indicating if the property tax is already included in the mortgage payment is V19376
  2. Food expense(V19107)
  3. Cost of child care (V2000)
  4. Child support(V19153)

Section III: Results and Discussion (800 words)

Section IV: Conclusion (100 words)

Reference

* 1. [BARDASI1] Bardasi, E., Gornick, J.C. (2000) ‘Women and Part-Time Employment: Workers’ ‘Choices’ and Wage Penalties in Five Industrialized Countries’,
  2. [BLAU1] Blau, F.D. and Kahn, L.M. (2004) ‘Changes in the Labor Supply Behavior of Married Women: 1980-2000’,
  3. [EVERS1] Evers, M., De Mooij, R. and Van Vuuren, D. ‘The Wage Elasticity of Labor Supply: A Synthesis of Empirical Estimates’, *DE Economist*, 156(1)
  4. [KAYA1] Kaya, E., (2014) ‘Heterogeneous Couples, Household Interactions and Labor Supply Elasticities of Married Women’
  5. [MACUNOVICH1] Macunovich, D.J., (2010) ‘Reversals in the patterns of women’s labor supply in the United States, 1977-2009’
  6. [MCCLELLAND1] McClelland, R., Mok, S. and Pierce, K. (2014)‘Labor Force Participation Elasticities of Women and Secondary Earners within Married Couples’