

Topics in Economics of Discrimination: Outline 3

VII. Time Allocation in the household

1. History
 - a. Before the Industrial Revolution, households were at subsistence or less
 - b. Everyone (mother, father, children) worked

2. Industrial Revolution
 - a. Required an agricultural revolution that
 - lowered food prices
 - raised real urban wages
 - freed up rural labor supply for urban work
 - improved nutritional status of the populace
 - increased life expectancy
 - b. Eventually raised incomes, life expectancy sufficiently to
 - Give incentives to invest in human capital
 - Allow children to go to school rather than work

3. Time path of female labor force participation
 - a. Single women work
 - b. 1900-1990: steady rise in female labor force participation
 - c. U-shaped pattern for married women
 - Initially as GDP/capita rises, women drop out of labor force
 - As GDP/capita continues to rise, labor force participation rises
 - d. Married women
 - 1900: most married women were homemakers
 - Working married women were from poor households
 - Rise of the marriage bar
 - College-educated women
 - remained single, or
 - did not work if married
 - 1970s: start of slow progress on career mothers
 - 1900-1990: steady rise in married female labor force participation

4. Factors affecting time allocation
 - a. rise and decline of market for child labor
 - b. household technology
 - coal-wood to electricity
 - time saving household appliances
 - transportation
 - c. market wages
 - rising wages for both men and women
 - rising relative wages for women
 - d. Tastes
 - economists assume tastes fixed
 - Causality?: Do tastes change behavior or does behavior change affect tastes?

e. Fertility and family size

Causality?: family size is a choice—may change as labor supply changes

Improvements in fertility control may have an effect

Delays early pregnancy

Lowers probability of unplanned large families

f. Definitions:

Population

Labor force participation

Employment

Unemployment

Labor Force Participation Rate

5. Household production theory

a. isoquants: combinations of time and market goods that yield the same level of utility

diminishing marginal productivity implies convex shape

flatter implies easier substitution of goods for time

Slope = $-(MP_T/MP_G)$

b. Budget constraint

Time budget

Fixed time

Flexible time

Wage

Nonlabor income

Slope = - real wage = $-W$

c. Optimum

$W = (MP_T/MP_G)$

d. Normal inputs: as output rises, use more of input

e. Response to change in nonlabor income: pure income effect

f. Response to change in real wage: Income and substitution effects

Wage increase implies

income effect toward home time and market goods

substitution effect toward goods, away from home time

g. Wage effects

For men, income and substitution effects are of roughly equal size

For women, substitution effect dominates

6. Applications

a. Impact of rising wages when initially out of labor force

b. Impact of rising wages on food production

c. Impact of improved home technology

d. Children

Impact of child labor income on adult time allocation

Impact of public schooling

e. Fertility: The quantity-quality model

rising women's wages and family size

f. Leisure demand: Aguiar and Hurst

Rising leisure demand, especially for the least educated
Relationship to changes in average wages by education level

g. Birth control pill

Impact of better fertility control on time allocation

Baily: impact of earlier versus later liberalization of birth control laws by state

7. Time allocation of couples

a. Patterns over time: men decrease and women increase market time

b. Patterns compared to other countries

c. Overall work time versus market time or home time

8. Theory of marriage

a. Trade model

b. comparative advantage and gains from trade

c. Gains from specialization

d. Implications of equalizing market wages and/or equalizing home time productivity