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More Care and Less Pay: The Phenomenon of Low Wages Among Care Occupations

Abstract

This research examines the phenomenon of care occupations paying less than other occupations with similar levels of human capital investment. The paper evaluates the high concentration of women, especially Black women, the resulting wage penalties, social closure theory, temporal flexibility, and positive externalities as possible explanations for this problem. Potential solutions like raising the minimum wage and subsidizing education for care workers are also addressed.

Keywords

Care occupations, social closure theory, temporal flexibility, gender

Disciplines

Economic Policy | Race, Ethnicity and Post-Colonial Studies | Women's Studies

Comments

Written for ECON 252: Gender Issues in Economics.

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More Care and Less Pay:

The Phenomenon of Lower Wages Among Care Occupations

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ECON 252: Gender Issues in Economics

Professor Meg Blume-Kohout

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Introduction

Economists define paid care work as a type of work that contributes to individuals' wellbeing, involves face-to-face interactions with the group that is being cared for, and maintains systems that require monetary investment and cannot be built without care work (Duffy, Armenia, and Stacey 2015). Also, within paid care work, the beneficiaries of caring activities must be unable to provide for themselves. There are two types of paid care work (Duffy, Armenia, and Stacey 2015). The first type is nurtuant, which involves a relationship between the caregiver and the person being cared for, and the second type is non-nurtuant, which supports nurtuant care work. Despite the importance of paid care work, individuals employed in care occupations do not receive wages that compensate for their human capital investments, such as college educations. This is especially problematic when care wages are compared to the wages of other occupations with similar human capital investments. Research into care work has characterized the high concentration of women, wage penalties, the high concentration of Black women, social closure theory, temporal flexibility, and positive externalities as explanations for lower wages in care work. These findings present evidence for policymakers to develop solutions, such as increasing wages and increasing subsidies for care workers' educations, that may address this problem.

Reasons for the Paid Care Work Problem

High Concentration of Women

Several economists and sociologists seek to explain the reasoning behind the phenomenon of care work paying less than jobs with similar human capital investments. One interpretation of this problem centers around the high concentration of women in care work (Folbre, Gautham, and Smith 2023). Jobs occupied by women typically have lower wages

associated with them than jobs occupied by men (Hegewisch and Mefferd 2022). Historically, this disproportionate concentration of women in care work stemmed from occupational segregation, which when men and women tend to work in different jobs (Akerlof and Kranton 2010). From the 1900s to the 1970s in the United States, two-thirds of workers would have needed to switch jobs to eliminate this gendered divide (Akerlof and Kranton 2010). While the divide has decreased somewhat since the 1970s, occupational segregation persists. For example, women make up 78% of healthcare workers and 85% of registered nurses and home health aides in the U.S. (Day and Christnacht 2019; Folbre, Gautham, and Smith 2023). In addition, two-thirds of the education workforce is female (Folbre, Gautham, and Smith 2023; Fox, Gmeiner, and Price 2019). Economists attribute continued occupational segregation to occupational norms that determine the jobs associated with each biological sex category (Akerlof and Kranton 2010).

This connects to the sociological theory of symbolic interactionism (Blumer 2002). The three premises of symbolic interactionism are that people behave toward things based on the meaning they associate with them, meaning comes from social interactions, and meaning may change over time based on social interactions. This applies to care work because society treats care work like women's work, which is reinforced through social interactions, including the use of qualifiers like "male nurse" or expectations of lawyers "having balls" (Akerlof and Kranton 2010, 83-85). The prevalence of these norms impacts how people see themselves and their roles in society (Blumer 2002; Mead 2002). Individuals internalize norms related to the jobs associated with their sex category in childhood, which affects the jobs they are likely to pursue, thus continuing a cycle of occupational segregation that they self-select into (Mead 2002). When women choose careers in the care industry, they uphold the norms of their sex category, which increases the concentration of women in care work.

Wage Penalties

As a result of care work being occupied primarily by women, care workers endure a wage penalty compared to their college-educated peers in other industries. In a study comparing the wages of care workers and business workers, researchers found that professionals in the care industry earn 26% less than those in business services (Folbre, Gautham, and Smith 2023, 96). Despite having similar educational levels and occupational structures, the care work and business sectors offer considerably different wages to employees. Care workers are more likely to endure wage penalties because low wages are common among jobs traditionally held by women (Hegewisch and Mefferd 2022; England, Budig, and Folbre 2002). For both men and women, the wage penalty within care occupations is 5-6%, compared to other jobs with similar human capital investments (England, Budig, and Folbre 2002). For example, male and female public school teachers earn 6.5% less than other college-educated professions (Han 2021). Economists explain this trend using the gender devaluation thesis, which states that women are devalued in society and wages in female-dominated jobs reflect this (Mandel 2016; Pietrykowski 2017). This issue is compounded by occupational tipping, which occurs when more women enter an occupation, resulting in men leaving that occupation, thus worsening the wage gap in segregated occupations (Blau and Winkler 2022). In fact, in one study, a 1% increase in the proportion of women in low-wage occupations decreased the median wages of the employees in those occupations by \$282 (Pietrykowski 2017, 42). Notably, this wage penalty is experienced by both male and female employees in the affected industry.

Additionally, skills associated with care work often result in wage penalties for people embodying those skills in low-wage industries (Pietrykowski 2017). Among low-wage caring jobs like "healthcare aides, childcare, and personal care workers," employees experienced a

wage penalty for exhibiting assisting and caring skills (55). On the other hand, in high-wage caring jobs like "surgeons, psychiatrists, and police detectives," employees with these skills experienced wage premiums (55). Low-wage caring jobs tend to be female-dominated, while high-wage caring jobs are male-dominated, which may explain these different trends for caring skills. Together, the high concentration of women in care employment, along with the wage penalty that care workers experience, help to explain the wage gap between care work and other jobs with similar human capital investment.

High Concentration of Black Women

Similar to women in general, Black women make up a considerable portion of care workers, which contributes to low wages in this sector. More women in an occupation leads to a wage penalty for workers in that occupation, and a higher proportion of Black women increases the wage penalty even further (Burnham 2016; Hegewisch and Mefferd 2022) Intersectionality, which refers to the overlapping discrimination that Black women experience, describes the reason for this wage penalty (Crenshaw 1991). Because Black women experience discrimination for being women and for being Black, their discriminatory experiences are compounded. Statistical discrimination against Black people results in lower opportunities for hiring, thus increasing the unemployment rate among Black people (Lang and Kahn-Lang Spitzer 2020). Statistical discrimination refers to discrimination "based on a valid statistical inference," such as the discriminatory belief that Black people are less productive employees (69). In a study examining hiring discrimination against job applicants, researchers found that 9.7% of people with white-sounding names received interviews, whereas only 6.5% of people with Blacksounding names received interviews (Lang and Kahn-Lang Spitzer 2020). Because of discrimination, Black women are often forced into low-wage jobs, like those in care work

(Burnham 2016). For example, healthcare support jobs are 87.6% female and 25.7% Black, and many of these jobs, like home health aides, pay only about ten dollars per hour. The more that hiring discrimination toward Black women persists in high-wage jobs, the more Black women are forced to work in low-wage jobs like care work. As Black women make up a higher proportion of care jobs, wages in these low-wage jobs decrease due to statistical discrimination, which worsens the problem of care work paying low wages.

Social Closure Theory

Another economic explanation for lower pay among care work occupations is social closure theory (Tomaskovic-Devey and Avent-Holt 2019). This theory refers to the process through which groups construct boundaries around themselves to control resources and to keep other groups out. This often occurs when male workers attempt to keep women out of maledominated occupations. Harassment and toxic masculinity are two methods employed to discourage women from remaining in male-dominated positions. When women fear discrimination in male-dominated sectors, they are likely to select out of those positions. Based on this, social closure provides insight into why women select out of higher-paying, maledominated jobs, in favor of lower-paying job, like care work. Because of the stratification within the care work industry, not all care jobs pay similar wages (Duffy, Armenia, and Stacey 2015). For example, higher-paying care work jobs, like surgery, are occupied by more men, while lower-paying care work jobs, like registered nursing, tend to be occupied by women (Budig, Hodges, and England 2019). These low-paying care jobs tend to have the greatest disparity in wages, compared to jobs with similar human capital investments (Day and Christnacht 2019). Because a high proportion of women in an industry leads to a wage penalty for workers in that

industry, the more that women select into care work, the more care workers will endure lower wages (Hegewisch and Mefferd 2022; Pietrykowski 2017).

Temporal Flexibility

Moreover, temporal flexibility justifies and reinforces the wage gap between some types of care work and other jobs with similar human capital investment. Temporal flexibility is the flexibility of work schedules related to when and where employees need to work (Blau and Winkler 2022). It is a type of fringe benefit outside of wages, which employers provide as an alternative to additional pay (McConnell et al. 2013). One type of care work, elementary and secondary education, experiences temporal flexibility through summers off, workdays that end relatively early, and federal holidays off. Also, teachers have the option of hiring substitutes on days they are unable to work. Occupations with fewer strict deadlines and greater substitutability are more easily able to provide temporal flexibility (Blau and Winkler 2022). Compared to other jobs with college degree requirements, like those in the business sector, teaching is less temporally rigid (Folbre, Gautham, and Smith 2023). Because flexibility is an appealing benefit, people may choose to pursue care work jobs due to their flexibility. In general, economics states that the more people enter a field, the more wages decrease because as labor supply increases, wages decrease (Blau and Winkler 2022). Therefore, as more people enter care work, the supply of labor increases and wages decrease. Choosing careers with more flexibility may become increasingly common as employers expect longer hours from their employees to reduce labor costs (Perrons et al. 2005). In turn, care workers receive lower wages.

Providing temporal flexibility is costly for employers, so when it is available, employees receive lower wages than they would for jobs without this added benefit (Blau and Winkler 2022). While temporal flexibility is not present in all care work, the mostly female composition

of care jobs impacts how most employees in the care industry view flexibility (Folbre, Gautham, and Smith 2023). Women are more likely to value flexibility, and in exchange for not having the disutility that arises from inflexibility, they receive lower wages (Goldin and Katz 2011). The value of flexibility may determine the types of jobs that women choose in order to obtain this benefit. Because care jobs are predominantly occupied by women, and women tend to value flexibility, lower wages combined with greater flexibility are more likely to exist among care work jobs than other careers that are not female dominated.

Positive Externalities

Finally, the positive externalities of consumption associated with care work jobs may reduce wages for employees in the care industry. Positive externalities of consumption are the uncaptured benefits of consuming a good or service that individuals enjoy without consuming the good or service (Blau and Winkler 2022). These externalities are common among public goods that benefit society at large. Care work is often considered to be a public good because it is nonrival, meaning that it can be enjoyed by multiple groups, and nonexcludable, meaning that care workers cannot exclude people from receiving the benefits of their work (Blau and Winkler 2022; Duffy, Armenia, and Stacey 2015). For example, when children consume education from their teachers, the benefits of that education spill over to parents, future teachers, and future employers (Duffy, Armenia, and Stacey 2015). Society benefits from having a more educated population, and the social returns of education increase as education increases (Irazano and Peri 2009). Likewise, positive externalities arise from the care work performed by healthcare workers. For instance, care workers in nursing homes produce benefits for the families of the people they care for by reducing employment interruptions that may arise if those families cared for their loved ones themselves (Weisshaar 2021). Because the producers of care work do not

capture the full benefits of their work, they earn less than their services are worth. This explains the lower wages among this group, compared to similarly educated occupations that do not produce externalities.

Proposed Solutions

Creating solutions to address the low wages received by care workers is important because of the expected future growth of care work in the U.S. Less than a decade ago, economists predicted that the need for healthcare support jobs would grow by 50% between 2012 and 2022, with nursing home care making up 10% of all care work by 2020 (Burnham 2016; Duffy, Armenia, and Stacey 2015). As unfilled care jobs continue to grow, improving wages for care workers is increasingly crucial to maintain the care labor force (Yong 2021). The COVID-19 pandemic exacerbated the loss of care workers, resulting in one in five healthcare workers leaving care work altogether (Yong 2021). Two solutions to the problem of low wages paid to care workers include increasing wages for care workers and increasing public funding for the education of care workers.

Increasing Wages

The first solution to address the low wages that care workers receive in comparison to their similarly educated peers is to increase their wages. Raising wages for care workers will decrease the gap between their wages and the wages of individuals working in higher-paying occupations. This solution could take the form of a law to increase the federal minimum wage from the current \$7.25 per hour wage. According to research on the impacts of raising the minimum wage, the care sector is likely to benefit the most from this policy change (Wolfe and Zipperer 2021). Due to the existing low wages in care work, 46.6% of "nursing assistants, home health aides, and personal care aides," would receive higher wages if the minimum wage

increased to \$15 per hour. Nine out of ten care workers receiving wage increases would be women, and one half would be people of color. As a result, increasing the minimum wage could help to address the wage penalties that women and people of color currently experience in care work (Burnham 2016; Hegewisch and Mefferd 2022). Not only does increasing wages positively impact care workers, but it also positively influences the lives of the people they care for. In one study, a 10% increase in pay for teachers decreased student dropout rates by 3-6% (Loeb and Page 2000). In another study, McHenry and Mellor (2022) found that increasing the minimum wage in an area increased the quality of care that nursing facility residents received due to care workers enjoying higher wages.

Although increasing wages would benefit care workers and society at large, policymakers may face opposition from groups that advocate against increasing the federal minimum wage. A survey of U.S. adults found that 57% of self-identifying Republicans opposed increasing the minimum wage to \$15, while 86% of Democrats supported this change (Davis and Hartig 2019). Despite these ideological differences, the survey revealed that 67% of Americans overall support the increase. One of the main reasons that people oppose a minimum wage increase is their fear of job losses. A report from the Congressional Budget Office (2021) found that a \$15 minimum wage would eliminate employment for 1.4 million workers. However, the same report stated that the increase would lift 0.9 million people out of poverty. Additional research identified an association between a 10% increase in the minimum wage and improvements in women's self-reported mental and physical health, given that women are significantly affected by minimum wage increases (Sigaud et al. 2022). While opposition might decrease the political feasibility of this solution, the overall benefits for care workers mean that increasing the minimum wage is still a possible and valuable option to increase care workers' wages.

Subsidizing Higher Education

Another solution is to increase the availability of public funding for care workers' educations. This solution focuses specifically on the positive externalities produced by care work. Economists outline that subsidies address positive externalities, so subsidizing education is a method that would allow producers of care work to capture more of the benefits from their work (Blau and Winkler 2022). This solution is politically feasible because some public funding already exists to subsidize education for care workers, which indicates that policymakers already support this solution. For example, the Teacher Education Assistance for College and Higher Education (TEACH) grant from the U.S. federal government offers up to \$4,000 a year to college students who commit to teaching in low-income, high-need school districts for at least eight years, after completing their degree (Federal Student Aid n.d.). Research on the TEACH program found that 44% of grant recipients said that the funding influenced their decision to pursue teaching, and 58% said the grant influenced their choice to teach in a high-need area (Barkowski et al. 2018). The finding that teachers were more likely to work in high-need, lowincome school districts with this grant suggests that subsidizing education may increase the benefits teachers receive, thus reducing uncaptured positive externalities and increasing financial wellbeing. Without this program, teachers may be financially unable to accept work in poor districts that pay even lower wages than they already receive, but grants improve this situation.

Also, nursing students may apply for the federal Nurse Corps Scholarship Program, which requires them to work in a designated healthcare shortage area for two years after graduation, in exchange for full tuition coverage (Health Resources & Services Administration 2023). Like TEACH, the Nurse Corps Scholarship Program benefits care workers by covering the cost of nurses' educations, enabling them to accept lower-paying jobs and eventually receive

higher returns from their educations. By increasing the availability of programs like TEACH and the Nurses Corps Scholarship, policymakers can subsidize care workers' educations. Whereas workers in other occupations with similar educational attainment receive benefits in the form of higher wages, these policies offer tuition funding to care workers as an alternative to higher pay (McConnell et al. 2013). While this solution does not directly increase wages, it reduces the cost of education for care workers, which allows them to benefit more from the low wages they receive because they are not repaying loans.

Conclusion

The prevalence of lower wages paid to care workers in comparison to other similarly educated occupations is a significant problem in the United States. Despite often having equal educational attainment with higher-paying jobs, care workers do not receive the same financial benefits (Folbre, Gautham, and Smith 2023). This issue can be attributed to the high concentration of women, especially Black women, in care work because of the wage penalties that these groups experience. Social closure theory also explains the lower wages that care workers receive because individuals opt out of higher-paying care jobs and instead work in lower-paying care jobs. Further, temporal flexibility provides fringe benefits to care workers instead of additional pay, and positive externalities lead to uncaptured benefits that care workers do not receive. Altogether, these factors highlight the economic and social factors that contribute to the low wages that care workers receive. Policy interventions like increasing the wages paid to care workers and increasing the availability of subsidies for higher education may address this problem and improve the financial wellbeing of care workers.

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