

FT Collections **Claudia Goldin**

Claudia Goldin: 'Greedy work has been made less greedy'

The pandemic has helped facilitate flexible working, which might make top jobs more compatible with family life

Sarah O'Connor 4 HOURS AGO

This is part of a series, ['Economists Exchange'](#), featuring conversations between top FT commentators and leading economists about the coronavirus economic recovery

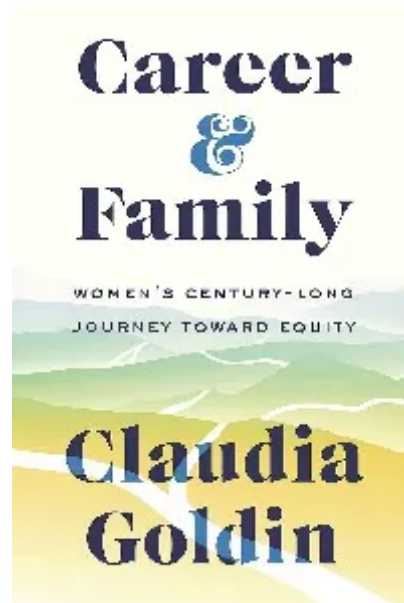
Why do women still earn less than men, particularly in high-paying occupations such as finance and law where the gaps remain stubbornly large? The list of mooted explanations is as long as the list of proposed solutions. To name a few: women are discriminated against; women aren't "leaning in"; women need more pay transparency; more confidence; more mentors.

Claudia Goldin, an economics professor at Harvard University, has conducted some of the most granular research into this question, including longitudinal studies that track the trajectories of real men and women's careers over time. This data shows that straight after college or graduate school, pay for men and women is very similar. In the first few years of employment, the gaps remain small and are largely explained by different fields of study or occupations. But about 10 years after graduation, things begin to change. Those changes typically set in a year or two after people start their families.

Last year Goldin published a book, *Career and Family*, which explores the root cause of what happens next and why. "What's in my book is really what I call the dirty little secret that we all know but didn't want to talk about," she says. "And because it's a hard issue to solve, it's not one that those who like to say 'I have the answer' are going to propose."

Goldin is herself a trailblazer: she was the first woman to receive tenure in a number of university economic departments, including Harvard. Her research over a long career has spanned a wide variety of topics, from slavery and the Depression to education and technology. But it is her historical work on women in the US economy for which she is probably best known.

As she was writing *Career and Family*, the pandemic was upending economies, closing schools and childcare centres, and forcing many white-collar workers out of offices and into their homes. “The pandemic magnified some issues, accelerated others, and exposed still more that had been festering for a very long time,” she writes in the introduction. “But the tug between care and work that we are facing preceded this global catastrophe by many decades.” In this interview, we discuss the “dirty little secret” which she thinks underlies the gender pay gap, and whether the effects of the pandemic might make it better or worse.



Claudia Goldin's book explores the root cause of what happens next and why © HANDOUT

Sarah O'Connor: What do you think the root causes are of the remaining pay differences between men and women?

Claudia Goldin: I like the notion of “remaining” because the gender pay gap was once a lot larger than it is now. We think about how much you are paid as being a function of mainly two big things. One is what you bring to the workplace, and the other one is how much what you bring is compensated. If you bring a different amount than someone else, a lower amount, and you’re both compensated the same for each unit of that, then you’re going to get less.

We know that over the past, let’s say, 50, 60 years, where we have the data, we can see that the things [women] bring to the workplace have increased . . . and that has narrowed the gap quite a lot. But then there’s a residual [gap]. We think of it as unexplained, but some of it is that women appear to get less for bringing the same units to the workplace, and that’s very disturbing.

And so that has led to an expansive literature on discrimination. We have an agency in the US. You have one in Britain. Ours is called the Equal Employment Opportunity Commission, and they spend all their time trying to figure out why individuals are paid different amounts.

And of course they look at cases in which individuals say, “I was passed over because of my sex, age, race, religion, sexual orientation”, and so on. But when we unpack it, it seems pretty clear at this point that there isn't one wage gap. There are changes over time, and these changes over time indicate that individuals are opting for different paths to accommodate their other desires. These very large divides occur at particular junctures, and these junctures are often the ones concerning partnership or marriage, geographic moves, leaving a school.

The point quite clearly is that study after study shows that the biggest differences between men and women, particularly those who have college degrees and beyond, is that women tend to do more on the home front, be the individual who's on call at home, and men tend not to be the individual on call at home.

In terms of the gender pay gap, there's no question that there's discrimination, that there are biased managers. There are bad people around. We can talk forever about them. They're all over the place, and we should get rid of them. But even if we did, even if we were capable of doing that, which is pretty hard, and we spend a lot of resources trying to do that, even if we did that, we would still have this other issue, which is systemic.

SO'C: In your book, you talk about the “problem with no name”, and you give it a name, which is “greedy jobs”. Can you tell me a bit more about why you think greedy jobs help to explain this gap?

CG: The description that I just gave you . . . if everyone got \$100 an hour — let's make it a pretty good job — and you could do it for 30 hours a week, or 40, or 50, and then we adjust it by hours, if it would always turn out to be paid at \$100 an hour . . . there'd be no [hourly pay] difference between men and women.

But if jobs are what I'm calling “greedy”, it means that the more hours you put in, the higher your hourly pay. Or it needn't be the number of hours. It could be which hours. Is it weekend? Is it vacation? If I say jump, do you have to jump? If earnings go up disproportionately with that, so there's convexity rather than linearity, then individuals are faced with these difficult choices.

The whole point of the implicit model in the book is that if greedy work pays such a disproportionate amount more, couples are then enticed to give up their 50/50 desires. They're in some sense being bribed to do that.

Being the on-call, at-home parent does not mean that you're at home all the time. It just means that you're the one who can drop things. If you have a greedy job and you keep on dropping things, you're not going to have that job for long.

SO'C: Is it rational for companies to compensate people so much more for doing greedy work? Does that make sense, for example, for a law firm?

CG: It has to do with whether we have a production relationship. I have this interesting example, which is that there are some occupations that have gone through very large changes, in pharmacy, in veterinary medicine. Many aspects of medicine have — paediatrics, for example.

In the case of pharmacy, pharmacists used to run their own businesses. If you run your own business, you're not going to do very well unless you are on top of things all the time. The same thing in veterinary medicine. One used to have a clinic. It was self-contained, and you were responsible for the health and care of a large number of your patients. The same with physicians long ago.

But the growth of certain parts of the corporate sector in pharmacy, for example, meant that individuals who are highly trained, talented, responsible healthcare providers became extremely good substitutes for each other.

And the same thing in veterinary medicine. Sometime after around the 1970s, regional veterinary hospitals sprang up all over the place. I notice that there's now pet urgent care.

When I got my first dog way back in 1970, there wasn't such a thing, and so you'd have to call up your veterinarian and wake the person up just like the person would be woken up by farmer Brown when a calf was being born. That's a different type of job than if you say, as my veterinarian does now, we're open from eight to 4:30, and after then, I'll give you a phone number and you can call them and go there.

There are hundreds of different changes. Paediatricians realised that if they formed group practices, it was better for them. It was better for their clients. It was better for their patients. It was better for the parents of their patients. There are lots of cases in which this notion of being a good substitute for someone else is good for the worker, for the employee, or the owner. And it's good for their clients.

SO'C: There are some sectors, and you've studied some of them, like law and consultancy, which haven't made any of those changes yet. But we're starting to see some young people in particular in those occupations objecting to their conditions of work.

CG: Right. There's lots of competition for this talented pool, and so we'll see what happens. We know that individuals who work at big accounting firms, big law firms, who want more options can go to the small ones who can form partnerships with other individuals who are similar to them.

I have my estate lawyer, and it seems to me as if every year one of them is pregnant and the others fill in. And they fill in perfectly. I have no qualms about working with one of them or working with another. I might have qualms about working with a completely different firm, but within this firm, they have formed a very, very good substitution that's good for me and it's good for them.

I'm not saying that all jobs can have substitutes. It's interesting, but sometimes exigencies lead us to change our ways. Covid has led us to change many of our ways. One that's very interesting is that many universities told their faculty that they had better find someone who could teach their class.

I think that everyone who's a worker today has an example of something that they could've done before March of 2020 but hadn't done it, but do it now routinely. For example, at the university, we run workshops and seminars, I run two a week, and we have many every day.

We've always spent a tremendous amount of our resources bringing people from Switzerland, from Brussels, from London, even from Hong Kong, to come here because they wanted to come here to Harvard. But also because we felt that our students needed to be exposed to people with many different viewpoints. It was expensive. We couldn't get various people because it's a long trip.

And so we could have a limited amount of this. We have to raise a lot of money to do it. Lo and behold, we discovered we didn't have to do it, and we had a seminar just last week from someone who's actually right in Boston. But they have a small child, and his wife is very paranoid about Covid, so he gave it online.

There are lots of ways that we have learnt to do different things, and some of them have reduced the greediness of work.

SO'C: Do you think that might be one of the long-term legacies of the pandemic, to reduce the greediness of work?

CG: I think that it is likely to be. There are always little bumps along the road; big bumps. I'm writing this paper where it ends with a section called "Looking Ahead", and I must say that I've never had such clouded glasses looking ahead, it's just about impossible to get a good read on what firms are going to be doing.

But we do have a sense that some people are going to disproportionately opt to work at home. Some people are going to disproportionately opt to work on site. I don't know exactly who these people are. It isn't clear. But the biggest worry in terms of gender is that there are firms in which the people who are disproportionately at home are going to be women. And so will we have yet another female enclave? Will we have somehow forged a new "mommy-track" online?

SO'C: It does feel like it could go either of those ways, doesn't it?

CG: The good news is the following. There's something pretty clear that we no longer, as I said before, have to fly someone to have the benefits of the individual. We get about, let's say, 87 per cent of the person. It's pretty high. I'm not a business person, so I can't say, but it looks like the M&A can be done with a handshake in Tokyo without going there, and the contract can be written with the corporate partner in Zurich without going there.

And these are positions in finance, law, accounting, engineering, many different fields, that individuals who are the on-call, at-home parent couldn't possibly take. And these are the relatively lucrative positions. In that sense, the flexible work has been made more productive, greedy work has been made less greedy, and that will be a very good thing.

SO'C: Obviously your latest book is focused on college graduates. But what's been happening in terms of lower-paid women, and women who haven't been to college?

CG: For them, there are related problems having to do with what I call the predictability of work. And then even for those at the top of the game, flexible work is really multidimensional. In fact, the whole word, flexible, is in some sense incorrect. Because it should be that you can call the shots and not get penalised that much for them. And sometimes calling the shots is something very simple. It's saying, I want a predictable job.

So I can give you a couple of examples. The mother who needs to make certain that her child gets to school on time is not going to do very well if she's told the night before that she has a 6am shift. That's not as predictable. The young person who's trying to make a better life for herself by going and taking computer classes on Wednesday afternoons is not going to do very well if she's told on Monday that if she doesn't show up Wednesday afternoon at Starbucks she's going to be laid off. So it's that type of predictability of work.

SO'C: I know you don't see your job as being a policy wonk, more of a diagnostician. But do you have any thoughts on what policy, if any, would help to address some of the bad effects of greedy or unpredictable work?

CG: I think there are lots of different parts of this. I always like to divide things up into what happens if we change relative prices, and what happens if we change social norms and traditions. OK, that's much harder. Changing relative prices, there are generally two parts of that with regard to the major group that I'm talking about. One has to do with increasing substitution of position. And the other one has to do with lowering the relative price of care.

So if caregiving responsibilities are the root issue, which it seems, in what I'm seeing, they are, then changing those relative prices would go a long way, and may be why labour force participation is higher in Sweden than it is in the US, even on a full-time basis.

Exactly how to create more substitutes is something that, to me, isn't exactly a policy issue. It's more a private sector and individual issue. I'm not very good at coming up with policies.

The issue of how to change social norms of course is the most daunting and the most difficult. I was thinking the other day that firms are like small communities, and in my world a good firm would tell its workers, male and female, children are very important. You have a benefit to my firm. It's a high-end firm. You have benefits and we want you to use these benefits. We want you to take off some time and be with newborns.

Maybe women should take off time at the beginning, when their kids are born. Men should take off time when the kids are a couple of months old. And that would be very good. One of the pushbacks in firms is that those without children, and older folk, get peeved because their workload increases.

But if you map this into the world of overlapping generations, and communities, in terms of school expenditures, if you have a community that's a very tight-knit community which people don't leave, then the older folk say, when I was younger my children were educated at the expense of the older taxpayers. So now I'm an older taxpayer and I will put back in. So this is what we economists call overlapping generations, or what is called in colloquial terms paying it forward.

SO'C: I was struck by a line in your book where you said that we need men to lean out. Could you explain a bit more what you mean by that?

CG: Sure. We could get to a better equilibrium, as I say, by increasing the productivity of the flexible jobs. But it's probably the case that if we have heterosexual households, there is still going to be a tension if the man in the household in terms of the social norms and traditions of their day is the one who always feels, "I want to get ahead and I'm not willing to sacrifice and compromise". This is something that's to be discussed. That's the lean-out portion.

SO'C: Is there more work to be done in terms of women's representation in economics?

CG: Yes. Economics still has too low a fraction of [female] undergraduates. When I was president of the American Economic Association, I decided that I would give of my time to explore an issue of importance having to do with women and economics. And I got funds from the Alfred P Sloan Foundation to run an experiment and see if you could move the needle in getting more women into the field of economics.

All I had to do was figure out what departments should do to attract more women. And it seemed pretty clear that women weren't attracted to economics because they viewed economics as not being about people. And economics was more math-y. It wasn't that they weren't good at math. It was that they wanted to be immersed in a subject that was about people.

But economics *is* about people. They're terribly ill-informed. So the idea was to inform them, but at the same time the males who were attracted to economics were attracted to it for the wrong reason. They were attracted to it because they thought it was about finance. It's not about finance. You can go study finance, but economics is not about finance.

So we started this programme with a very, very simple treatment, which is that when freshmen arrive, you entertain them with information about the fact that economics is about inequality. It's about health. It's about the labour force. It's filled with people. It isn't just psychology and sociology that are filled with people. But it also has a certain rigour. It's life.

It turns out that the problem is much deeper than one would have thought. So at Harvard and at other places, in the summer before you enter, you fill out forms and you say what you think you're going to concentrate, or major in. And the same fractions, male versus female, they want to major in economics, you can see at that point they haven't even unpacked their bags. They haven't even come to the university.

So the problem has to do with the conversation at the dinner table. It has to do with what's taught in high schools. It has to do with just a sensibility of what certain fields are. So I still have to look at the data. The data are still coming in. But I think that we have altered how people think about economics.

The above transcript has been edited for brevity and clarity

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