12 Why are More Women Working in Britain? (1985)*

with H. Joshi and S. Owen

1 INTRODUCTION AND SUMMARY

The increasing number of women at work is one of the most striking phenomena in the history of postwar Britain. In 1931 only 32 per cent of women aged 20–64 were in the labor force; by 1981 the proportion had risen to 58 per cent. Why is this? There is clearly a demand side as well as a supply side to the story. After laying out the facts in section II of this paper, we concentrate on a supply model in section III and conclude in section IV with some reflections on the largely unresolved problems relating to the demand side.

Female participation rose steadily from the Second World War until 1977, from which time it has been static. Until the 1970s the main increase was among married women aged over 35. Most of the extra workers have been part time.

To explain the increase in labor supply we estimate a pooled time-series, cross-section supply function for single-year age groups of women from 1950 to 1974. This function is estimated in two steps, for reasons to do with the pattern of serial correlation. In the first step, the proportion of women working in each age group is explained by the number of children they have of different ages, by age itself, by the state of the business cycle, and by a dummy for each individual birth cohort. As one might expect, the cohort dummies pick up most of the secular increase in participation, while the children and age variables map out the lifecycle pattern of participation. To understand the secular rise in participation we need to explain the coefficients on the cohort dummies, the second stage of the estimation process. We do this by various measures of early work experience, as well as by time and by the real wage levels prevailing at certain stages of life.

A key issue is the role of real wages. It is impossible to separate the influence of male and female wages, since the relativity between them was almost

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constant from 1950 to 1974. But we can examine the effect of the general wage level. We concentrate on the level of wages when the cohort was aged 35. If this variable is included but the time trend is excluded, the implied elasticity of participation with respect to the real wage level is about 0.4, while if the time trend is included the elasticity falls to 0.3, with a t-statistic of 2.4. However, we do not want to claim too much for this estimate, given some of the other less satisfactory experiments reported below.

It is interesting to compare these elasticities with those obtained from cross-section estimates on individual data relating to married women. These are based mostly on the General Household Survey(GHS) (a continuous survey of households in Great Britain published annually by the Office of Population Censuses and Surveys) and they differ according to which year's data set is used and which model. The GHS estimates of the effect of an equiproportional rise in all wages and incomes range from 0.34 to zero.

So what does explain the postwar rise in participation? It is certainly not explained by demographic trends, since up to the end of the 1960s the number of young children at home was growing. It could be the growth in real wages, but the evidence here is suggestive rather than conclusive.

One would like to have an explanation that accounted also for the earlier trends in women's work. From the mid-nineteenth century up till the Second World War there was no trend at all. At the same time there was a fairly steady rise in real wages and from the 1880s a fairly steady fall in the number of young children at home. There was also increased schooling keeping children out of the home. It is hard to see why these influences did not produce an increase in women's paid work over that period.

Three possible explanations suggest themselves. First, job rationing in the interwar period may have discouraged female labor supply. In particular, employers may have had little incentive to provide part-time jobs, which have proved particularly attractive to women in the postwar period. One can well imagine that even with no change in hourly wages many women would be willing to take part-time jobs if these became available, even if they were not willing to take the equivalent full-time job.\(^1\)

Second, the postwar period witnessed two major developments, which we have not documented and which affected the supply side. First were dramatic falls in the real prices of domestic appliances (especially of refrigerators, gas and electric cookers, noncoal heating appliances, vacuum cleaners, and washing machines) and the prices of processed foods and easy-care fabrics. This drastically reduced the time required to feed a family to a given standard, to keep a house clean, and to wash the clothes and linen. Theory does not enable one to sign the effect of such price changes, but on balance one would expect them to reduce the supply of housework. Second was a major fall in the morbidity of children, which made it much easier for women to offer a reliable supply of labor outside the home.