The Career Cost of Family

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This paper concerns the career costs of family and how these costs have changed in occupations at the upper end of the education and income spectrums. Career costs of family include penalties to labor supply behavior that is more compatible with having a family, such as job interruptions, short hours, and part-time work. Self-employment, when it involves owning a practice, often requires more hours of work because of classic agency problems and is less conducive to family. But when self-employment does not entail capital ownership it often enables women to set their own hours and enjoy greater workplace flexibility.

The clearest evidence we know of that the earnings penalty for job interruptions differs greatly by highest degree comes from our Harvard and Beyond (H&B) survey data. The H&B surveyed members of Harvard College graduating classes from 1969 to 1992. The penalty incurred from taking time off is largest proportionately for MBAs. The MDs have the lowest penalty and the PhDs and JDs are in the middle of the pack. These penalties are computed from the log earnings regressions. The log earnings penalty experienced for individuals from each of the four degree groups had they a job interruption of one-tenth of their post-BA period is 53 log points for the MBAs forgo, 40 log points for the PhDs, 35 log points for the JDs but just 17 log points for the MDs.

We develop a model of an amenity (job flexibility) demonstrating that individuals with a greater willingness to pay for the amenity earn less than others and that an exogenous decrease in the cost of supplying the amenity increases their relative earnings. An exogenous increase in the supply of individuals who value the amenity will increase the equilibrium amount paid for the amenity and widen the gap in earnings between men and women.

> **"The career costs of family vary greatly across the high-end occupations we study."**

We next present evidence for several professions suggesting that the provision of job flexibility changed exogenously but that it was also responsive to increased demands for more flexibility within occupations and sectors. Four professions are highlighted: physicians, veterinarians, MBAs in the corporate and financial sectors, and pharmacists. In professions in which the change was distinctly exogenous (such as in pharmacy) women's earnings have increased relative to men's, the fraction working part time of the total increased, and the fraction self employed plummeted. Similar changes are found in veterinary medicine and some medical specialties. In other professions (such as those in the corporate and financial sectors and some medical specialties) the family cost of career appears to be more unyielding.

To understand earnings differences between men and women more generally and the implicit role of workplace amenities, we examine the (corrected) incomes of women relative to those of men in the 465 occupations in 2006-08 (using the American Community Survey). We account for potential experience, hours worked, weeks worked, and other relevant observable factors. The remaining difference between the (log) earnings of women and men by occupation is largely due to the penalties imposed on women for greater job interruptions and their need for more flexibility.

We graph in the figure on the following page the (corrected) log earnings ratio of women to men in the top 87 occupations by male income. Each dot is one of the 87 occupations. The horizontal axis gives (male) income in logs and the vertical axis gives the earnings gap in log points (approximately the percentage penalty) between the average man and woman in an occupation given

potential job experience, hours of work, weeks of work, region, and race. The occupations are divided into those that concern business, health, science, technology, and all others.
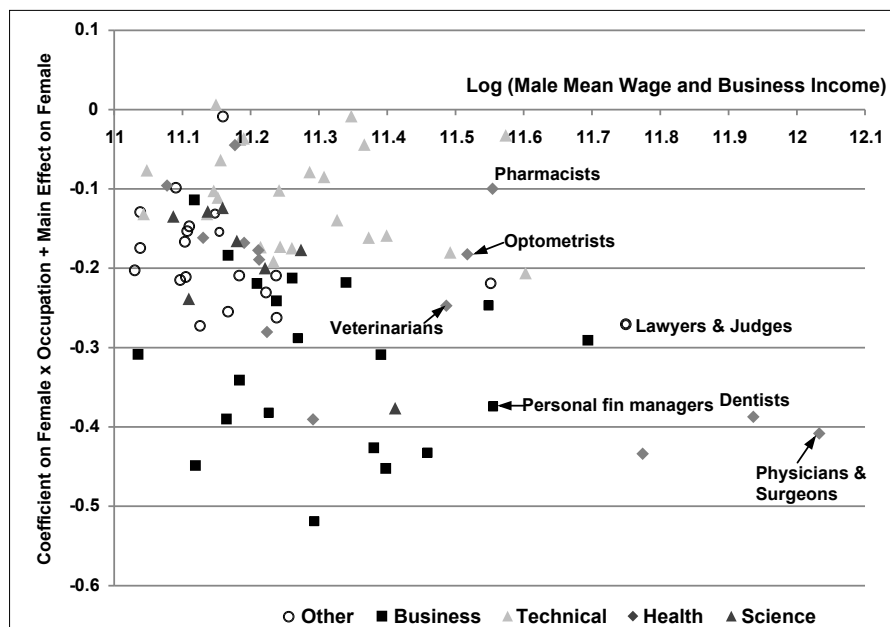
The first thing to note is that all 87 occupations are situated just at or below the horizontal axis. That is, in all occupations women make less than men given the somewhat rich group of covariates included in the regression. More interesting is the manner in which the occupations group. The business occupations (squares) are generally the most negative, whereas the technology occupations (light triangles) are the most positive. The health occupations (diamonds) are mixed with those having the greatest fraction self employed being the most negative and the ones that had decreases in self employment being the least negative.

We had previously shown that business occupations place heavy penalties on employees who deviate from the norm. The technology occupations appear to penalize women far less, possibly because the occupations are more recent and their work organizations were structured to deal better with a labor force with needs for greater work flexibility.

In sum, we study the pecuniary penalties for family-related amenities, how women have responded to the costs, and how the career costs have changed over time. The career costs of family vary greatly across the high-end occupations we study. More important, perhaps, is that the penalties to family-conducive behaviors have largely decreased over time. We conclude that many professions at the high end (e.g., pharmacy, optometry, some medical specialties, veterinary medicine) have experienced an increase in workplace flexibility driven often by exogenous changes but also endogenously because of increased numbers of women. Some sectors, notably those in the corporate and financial areas, have lagged in terms of the family cost of career.