

The added worker effect as a coping strategy for everyone?

Transitions from inactivity to activity of ethnic minority women in
the UK

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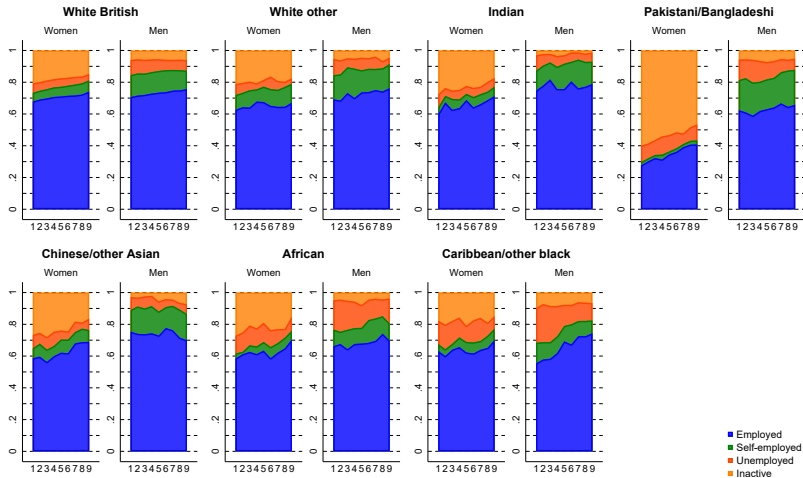
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Starting point: labour market differences of ethnic minorities in the UK

- ▶ **Well-documented labour market disadvantages of ethnic minorities in the UK:** unemployment, under-employment and levels of earnings (Berthoud 2000; Dustmann et al. 2003; Platt 2006; Li and Heath 2008; Li and Heath 2016; Nandi and Platt 2010; Zuccotti and O'Reilly 2019)
- ▶ **Risk exacerbated during 2008 economic downturn:** ethnic minorities hit harder and longer lasting effect for some groups (Li and Heath, 2018), familiar pattern from earlier recessions (Li and Heath 2008; Lindley 2005)
- ▶ **Labour force participation of ethnic minority women varies:** Pakistani and Bangladeshi with higher levels of inactivity driven by lower entry and higher labour market exit rates (Khoudja and Platt, 2018)

Economic status by ethnic group and gender over time



Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. 1 refers to the year 2009, 9 to 2018. Individuals aged 20-55 not in retirement/full-time education.

The added worker effect as a coping strategy?

Added worker effect

... assumes that couples share the income shock by compensating the income loss of one partner (usually the man) with increased labour force participation of the other partner (usually the woman).

Research question

Did income losses of household members in the years following the 2008 economic crisis lead to an increase in labour force participation of previously inactive ethnic minority women?

The added worker effect as a coping strategy? Perhaps!

▶ **Supporting evidence**

- ▶ Room for manoeuvre restricted by existing female participation levels (Bredtmann et al., 2018)
- ▶ Added worker effect weaker in times of prosperity (Bryan and Longhi, 2013) when couples turn to intermediate coping strategies like using savings and credits (Sullivan, 2008)

▶ **Disproving evidence**

- ▶ Inflexibility: Couples try to preserve status quo (Gush et al., 2015)
- ▶ Influenced by societal constraints (Duncan and Irwin, 2004)
- ▶ Linked to gender norms and gender relations - vary by ethnic groups (Kofman, 2014)

Data and methodology

- ▶ Analysis uses the pooled sample of wave 1-9 of Understanding Society, the UK Household Longitudinal Study (UKHLS) (ISER et al., 2019)
 - ▶ includes ethnic minority boost sample of over 4,000 households, refreshed with an immigrant and ethnic minority boost sample of over 3,000 households in wave 6
- ▶ Sample includes all women aged 20-55 not in retirement or full-time education living with at least one other adult who participated in at least two consecutive waves to observe potential labour market transitions
- ▶ Results present average marginal effects and predicted probabilities based on separate random-effect models for each ethnic group

Applied concepts

- ▶ **Labour market transition:** inactive women in current year who transition to employment, self-employment or unemployment in the following year
- ▶ **Measure of financial constraints:** income shock of other household members from current to following year
 - ▶ defined in relative terms and calculated on gross labour market incomes
 - ▶ continuous measure: from 0 (no income change or income increase) to 50 (loss of 50 percent or more)
 - ▶ binary measure: decreases of 20 percent or more
- ▶ **Other factors:** care responsibilities, gender norms and religiousness, subjective assessment of financial situation
- ▶ Controlling for age, education, marital status, health status, migration status, work experience, household income, household characteristics, wave-fixed effects

Sample overview - selected characteristics

	White British	White Other	Indian	Pakistani/ Bangladeshi	Chinese/ other Asian	African	Caribbean/ other black
Personal characteristics							
Higher education	26.9	49.0	47.2	24.6	45.0	35.1	33.5
Ever had a paid job	93.1	91.6	69.4	43.9	77.3	67.6	90.9
Care responsibilities	28.3	14.7	14.2	23.8	10.1	12.6	22.3
Household characteristics							
Average household size	3.6	3.7	4.2	5.3	3.6	4.3	3.4
Average number of children (<15)	1.4	1.5	1.4	2.2	1.4	2.2	1.5
Reason for inactivity							
Maternity	9.0	14.0	8.2	2.7	6.2	8.6	6.1
Family care or home	60.9	70.4	77.9	91.5	82.4	74.3	58.9
Unpaid, family business	0.4	0.1	0.1	0.5	0.0	0.0	0.1
LT sick or disabled	26.3	12.4	12.7	4.0	9.7	14.2	31.1
Financial situation							
Financial situation is difficult	19.9	18.6	17.0	27.2	26.3	39.3	31.8
Mortgage payments	34.6	33.8	42.2	44.5	44.4	7.8	13.5
Income shock							
Average labour market income loss	10.2	13.1	11.3	13.6	12.2	11.7	9.8
20+ percent income loss	14.2	19.8	17.6	21.0	17.7	16.0	12.2
Social and cultural environment							
Friends: majority with job	84.6	85.6	78.4	51.4	79.2	79.3	84.7
Child suffers if mother works	31.6	45.9	67.2	75.1	54.9	53.2	31.7
Religion makes difference	25.4	45.5	85.1	95.1	66.3	88.8	60.9

Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Pooled wave 1-9 data. Inactive women aged 20-55.

Does ethnicity matter? Do we find an added worker effect?

Average marginal effects for entering the labour market

	(1) Base	(2) + ethn	(3) + ind	(4) + mig	(5) + hh	(6) + fin
Ethnicity (Ref.=White British)						
- White other		0.09*	0.03	0.08	0.08	0.09*
- Indian		-0.03	-0.10*	-0.05	-0.05	-0.04
- Pakistani/Bangladeshi		-0.26***	-0.24***	-0.21***	-0.18***	-0.18***
- Chinese/other Asian		-0.03	-0.11*	-0.05	-0.06	-0.06
- African		0.02	-0.00	0.06	0.15*	0.18*
- Caribbean/other black		0.05	0.06	0.05	0.07	0.08
Age						
			-0.01***	-0.01***	-0.01***	-0.01***
Education (Ref.=None)						
- Higher education			0.23***	0.23***	0.22***	0.17***
- A level			0.14***	0.14***	0.13***	0.10***
- GCSE			0.00	-0.00	0.01	-0.01
- Other			0.03	0.03	0.03	0.02
Fair/poor health						
			-0.12***	-0.12***	-0.14***	-0.12***
Ever worked						
			0.12***	0.12***	0.12***	0.11***
Married/with partner						
			-0.03	-0.02	0.02	0.00
1st generation						
					-0.08*	-0.07*
Number of adults						
					0.01	0.01
Number of children						
					-0.07***	-0.07***
No. aged <5 (Ref.=Stable)						
- Decrease					-0.04*	-0.04*
- Increase					-0.20***	-0.20***
Household income						
						-0.01
Mortgage						
						0.13***
Income shock						
	0.00***	0.00***	0.00*	0.00*	0.00	0.00
Wave						
	0.02***	0.02***	0.02***	0.02***	0.02***	0.02***
N						
	12,170	12,170	10,482	10,463	10,463	10,458

Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Inactive women aged 20-55. Including squared term for age and income shock.

Does this hold for ethnic group-specific results?

Average marginal effects for transitions from inactivity by ethnic group

	(1) WB	(2) WO	(3) IN	(4) PABA	(5) CHothA	(6) AF	(7) CBothB
Age	-0.01***	-0.01**	-0.00	-0.00	-0.01	-0.00	-0.01
Education (Ref.=None)							
- Higher education	0.15***	0.17	0.08	0.08	0.08	0.24*	0.39
- A level	0.07*	0.14	0.02	0.12	0.08	0.02	0.08
- GCSE	-0.04	0.01	-0.09	0.06	0.18	0.13	-0.08
- Other	-0.00	0.05	-0.17	0.08	0.05	0.06	0.31
Fair/poor health	-0.14***	-0.11	-0.13	-0.01	0.17	-0.27***	-0.11
Ever worked	0.10***	0.22*	0.31***	0.07	0.14	-0.11	0.06
Married/with partner	0.03	-0.30**	-0.13	-0.03	0.05	-0.14	-0.06
1st generation	-0.10*	0.12	-0.09	0.01	-0.20	-0.31	0.01
Number of adults	-0.00	0.13*	0.02	-0.00	-0.09	0.00	-0.05
Number of children	-0.08***	-0.06*	-0.02	-0.04*	-0.05	-0.10***	-0.06
No. aged <5 (Ref.=Stable)							
- Decrease	-0.04	-0.10	0.03	-0.01	-0.12	-0.01	-0.04
- Increase	-0.20***	-0.27***	-0.25**	-0.06	-0.15	-0.24**	-0.28
Household income	-0.01	-0.01	0.01	0.00	0.01	-0.02	0.05
Mortgage	0.15***	0.09	0.04	-0.03	0.09	0.06	0.22
Income shock	0.00*	-0.00	-0.00	-0.00	0.00	0.00	0.00
Wave	0.03***	0.01	0.02	0.01	0.01	0.01	-0.01
N	6,434	511	602	2,056	348	298	209

Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Inactive women aged 20-55. Including squared term for age and income shock.

Are other factors more important?

Average marginal effects for other potential explanatory factors

	(1) WB	(2) WO	(3) IN	(4) PABA	(5) CHothA	(6) AF	(7) CBothB
Care responsibilities	-0.04*	0.01	-0.06	-0.01	0.14	-0.15	-0.06
HH member with fair/poor health	0.01	-0.07	0.06	0.00	0.05	0.01	0.15
Childcare use	0.07***	-0.06	0.08	0.02	-0.06	0.08	0.05
Religion makes difference	0.02	0.00	-0.02	0.03	0.10	0.16	0.02
Child suffers if mother works	-0.06***	-0.16**	-0.09	-0.02	-0.01	-0.11	0.07
Husband earn, wife stay home	-0.05**	-0.18**	0.07	-0.02	0.11	-0.06	-0.21
Friends: majority same ethnicity	-0.06	0.05	-0.23	-0.02	0.13	-0.03	-0.02
Friends: majority with job	0.09***	0.30***	0.00	0.03	0.10	0.07	0.28*
Dissatisfied with income situation	-0.00	-0.03	0.03	0.04	0.05	0.01	-0.10
Financial situation difficult	0.02	0.11	-0.07	0.03	0.09	0.04	0.01
Expects situation to get worse	0.02	0.12	0.15	0.04	-0.05	-0.05	-0.06

Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Inactive women aged 20-55. Weighted results. Inactive women aged 20-55. Incl. controls for all other characteristics

Summary and conclusions

- ▶ Inactivity levels vary by ethnic groups: different starting points for added worker effect
 - ▶ BUT does not result in higher effect for women with lower activity rates
 - ▶ only significant for white British women
- ▶ Stickiness of inactivity: difficult to find factors that explain transitions from inactivity to activity
 - ▶ Empowering factors for selected groups: higher education, previous work experience, friends with jobs
 - ▶ Discouraging factors for selected groups: fair/poor health, higher number of children, traditional gender norms
 - ▶ Partly: low variation of selected characteristics in the sample and low sample size

One size fits all does not work

Ethnic minority women often faced with very different realities: opportunities on the labour market, living arrangements, gender and cultural norms. The concept of the added worker effect does not take these realities into account.

Thank you!

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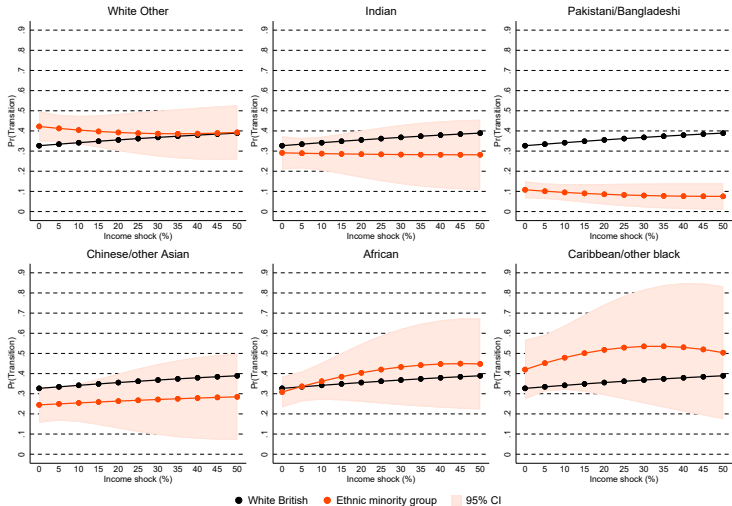
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Does the added-worker effect depend on the size of the income shock?

Predicted probabilities of entering the labour market by size of income shock and ethnic group



Sensitivity analysis of the added-worker effect

Average marginal effect of different income shock measures

	WB	WO	IN	PABA	CHothA	AF	CBothB
Continuous income shock	0.00*	-0.00	-0.00	-0.00	0.00	0.00	0.00
20+ percent shock	0.07***	0.03	0.00	-0.02	0.06	0.01	-0.13
30+ percent shock	0.09***	0.07	0.01	-0.01	-0.01	0.02	-0.11
40+ percent shock	0.07***	0.07	-0.04	-0.01	0.03	0.03	-0.13
50+ percent shock	0.07***	0.05	-0.02	-0.01	0.07	0.02	-0.13
Income shock (absolut)	-0.00	0.00	-0.00	0.00	-0.00	0.00	0.00
20+ percent shock (losses only)	0.05**	0.00	0.06	-0.03	0.02	-0.02	-0.15
Individual with 20+ shock	0.06***	-0.01	0.04	-0.02	0.03	-0.06	-0.14
Decrease in empl. hh members	0.07**	0.10	-0.05	0.07	-0.04	-0.02	0.11

Average marginal effects based on different transition definitions

	WB	WO	IN	PABA	CHothA	AF	CBothB
1 year transition period	0.07***	0.03	0.00	-0.02	0.06	0.01	-0.13
2 year transition period	0.05**	0.07	0.03	0.00	0.22*	0.09	-0.06
3 year transition period	0.02	0.04	0.01	-0.01	-0.01	0.03	-0.08
Transition to employment only	0.06***	0.03	0.02	-0.00	0.10	-0.02	-0.00
Inactive due to family reasons only	0.09***	0.02	0.02	-0.02	0.07	0.03	-0.09
Transition to paid job	0.04**	0.00	0.06	-0.03	-0.01	0.06	-0.00

Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Inactive women aged 20-55. Incl. controls for all other characteristics.

Sensitivity of sample size

Average marginal effects for transitions from inactivity by aggregated ethnic groups

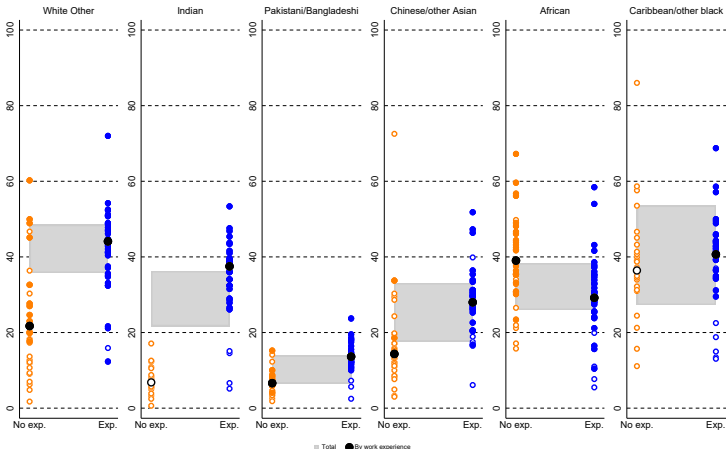
	(1) Total	(2) White	(3) Asian	(4) African
Ethnicity (Ref.=White)				
Asian	-0.16***			
African	0.10			
Age	-0.01***	-0.01***	-0.00	-0.00
Education (Ref.=None)				
- Higher education	0.16***	0.14***	0.12**	0.31**
- A level	0.08**	0.06	0.09	0.11
- GCSE	-0.03	-0.05	0.07	0.09
- Other	0.02	0.00	0.06	0.16
Fair/poor health	-0.13***	-0.14***	-0.03	-0.23**
Ever worked	0.13***	0.13***	0.14***	-0.07
Married/with partner	0.03	0.04	-0.06	-0.03
1st generation	-0.02	-0.01	-0.02	-0.11
Number of adults	-0.00	-0.00	-0.01	0.03
Number of children	-0.07***	-0.07***	-0.05**	-0.08**
No. aged <5 (Ref.=Stable)				
- Decrease	-0.04	-0.04	-0.04	-0.01
- Increase	-0.21***	-0.22***	-0.13***	-0.31***
Household income	-0.01	-0.02	0.02	0.00
Mortgage	0.12***	0.14***	0.01	0.16
20+ percent shock	0.06***	0.08***	-0.01	0.03
Wave	0.03***	0.03***	0.01	-0.00
N	9,964	6,578	2,905	481

Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Inactive women aged 20-55.

Work experience as a stepping stone

Transition probability of ethnic minority groups by work experience and other characteristics



Source: Own calculations based on UKHLS wave 1-9.

Note: Weighted results. Inactive women aged 20-55. Probabilities are based on various models, each including the interaction effects of work experience with another characteristic (age, health, marital status, work experience, number of children, change in number of young children, mortgage, income shock, care responsibilities, gender norms, friends with jobs, subjective assessment of financial situation, migration background) in turn plus all other control variables included in the base model. Non-significant transition probabilities marked as