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Chapter Author: Tito Boeri

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Comment

Tito Boeri, Bocconi University, IGER, and CEPR

1. Introduction

This is a very interesting and ambitious paper. To my knowledge, it is the first attempt to address within a unified framework adjustment along many different and relevant extensive margins. It covers interactions between labor market participation of women, youth unemployment and non-employment among those closer to the official retirement age. The goal is to explain the wide cross-country variation in employment rates of these “marginal groups” of the labor force and their interactions, notably the reasons why the womenisation of the workforce only in a subset of countries has gone hand in hand with a decline of participation among the other groups. The key message offered by the paper is that social customs *by themselves* play a crucial role in determining these interactions between, on the one hand, employment of prime-aged women, and, on the other hand, participation of young and old people. Social customs indeed affect the size of the family in different countries and the way in which the different components care about the joint household product. Thus, the intensity of family ties is crucial in creating a link between participation decisions of women and decisions of other members of the extended households to be working or involved in home production.

The paper draws very much on the new anthropological literature on participation, fertility, and wage formation. It is very much in the spirit of this literature the idea that (1) culture causes labor market behavior rather than being the other way round, and (2) culture matters not only indirectly—i.e., by shaping institutions affecting economic behavior—but also directly, altering preferences of individuals, hence their behavior per given institutions. The distinction between direct and indirect

effects of social customs is important also from a normative standpoint. Let me try to clarify this with reference to a specific example. A key implication of this paper is that the employment targets of the EU, defining threshold employment rates for all these marginal groups, have two major shortcomings: (1) they ignore the relevant interactions between the various targets, and (2) they do not take into account that more employment for all of these groups may reduce welfare of households. If culture is affecting labor market behavior mainly via institutions, then one could still argue in favor of the EU employment targets, provided that there is some sluggishness (e.g., driven by political-economic constraints) in the adjustment of institutions to preferences.

The issue is that unless we can characterize and detect a direct causal effect of culture on preferences and constraints of individuals, we can see the role of culture mainly in the cultural dimensions which are behind the different institutional configurations.

My main criticism to this very insightful paper is that institutional explanations are too readily dismissed. I am, in other words, not yet convinced of the fact that this paper isolates the direct effect of culture rather than an effect of, *inter alia*, social customs intermediated by institutions. In particular, I have three remarks: (1) family size is not only related to family values, but has to do also with institutions, (2) some relevant institutions are not included in the regressions which are supposed to isolate national cultural identities, and (3) there may be more stringent ways to test the implications of the model, which are based on micro data, actually on microwave data.

2. Family Size Matters

As the Figure 1 suggests, there is significant cross-country variation in Europe as to the incidence of large families. While in Denmark less than one household out of five has more than four members, in Ireland there is one large family out of three.

The difference in the size of families cannot be entirely attributed to social customs. It is quite likely that the presence of large families has to do with the housing market, fertility rates, labor market conditions, pension rules, availability of childcare, gaps in the welfare system filled by the extended family, etc. While it is not accurate to associate the size of families to social customs only, there is no reason to believe that home production technologies or the substitutability between women

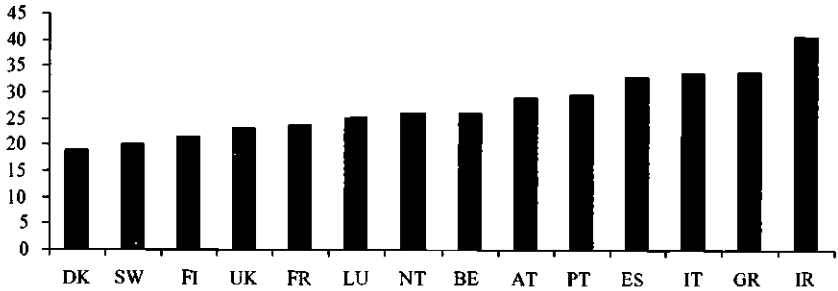


Figure 1
Percentage of households with more than four members

and other members of the family is independent of size. For instance, large scale production may involve a lower substitutability of women with other household members, e.g., grandparents may not be in a condition to take care of a large number of children. The asymmetric effects of the decline in the price of household durable goods on nuclear versus extended families, which play a crucial role in the explanation provided by Algan and Cahuc, may therefore capture a pure scale effect: a single dishwasher frees time for work for many persons. Technological change in home production may also be more gender-biased when it takes place at larger production levels. In other words, scale matters and scale is not the same thing as family values.

3. The Missing Institutions

A number of institutions are very important in affecting the substitutability between women and other members of the household. The usual suspect is clearly legislation on part-time employment, but the whole battery of so-called "family friendly" policies (e.g., measures encouraging a better sharing of family responsibilities between men and women, extended maternity leave, working-time flexibility synchronized between husbands and wives, etc.) are likewise important in affecting the way in which higher participation of women could interact with labor market choices of other groups of the labor force. These institutions are not in the regressions displayed in Table 4 of the paper and cannot be captured by country dummies, since they have been subject to many reforms in recent years. By the way, the fact that institutions are being changed so frequently may suggest that we are out of

the equilibrium in the relationship between social customs and institutions. In other words, there may be sluggishness in the adjustment of institutions to changes in social customs.

4. A Microwave Test?

Finally, I believe that a more direct test of the theory would require using micro-level data on participation choices of different household members depending on the household durable goods consumption. The European Commission Household Panel (ECHP) survey has a battery of questions on durable good consumption and labor market participation along intensive and extensive margins. It therefore offers a good empirical basis to test the theory of the authors. Unfortunately the ECHP does not have questions eliciting values of individuals, so that we cannot look at the relevant interactions between culture and the decline in the price of household durable goods. Yet we can use the cross-sectional variation in the use of these appliances to detect the effects of this shock on hours of work under different institutional-cultural configurations. For illustrative purposes, I tabulate below the results of a simple linear regression of hours of work against individual characteristics (age, educational attainments, etc.) plus dummies capturing the presence in the house of a microwave (dmw) or a dishwasher (ddw) as well as interactions of the above variables with household size, in order to control for the size effects outlined above. I run this regression for two countries located at the extremes of the distribution of household size (see Table 1) and deemed to correspond to much different attitudes towards family ties. What I find in the data is that ownership of a dishwasher or microwave frees time for work only for Italian women. It has no effect on men labor supply in Italy and no effect whatsoever in Denmark. Importantly, as documented by insignificant interaction dummies, the size of the family does not appear to be relevant: there is no difference in the reaction to shocks in nuclear or large families.

Summarizing, this is a very intriguing and stimulating paper pointing out the relevant interactions between participation rates by gender and age groups. While I am not entirely persuaded that it is social customs per se to drive the results exhibited by the authors, I do believe that this paper paves the way for a very promising avenue of research on interactions between employment rates, household size, and institutions.

Table 1
Testing the micro(wave) foundations: Dependent variable: hours of work

	Coef	std. err.	t
Italy			
Italian men			
Dmw	.452	.894	0.51
Ddw	-.226	.827	-0.27
Compdmw	.1703	.221	0.77
Compddw	.120	.202	0.59
Italian women			
Dmw	1.360	.685	1.98
Ddw	1.080	.621	1.74
Compdmw	.250	.171	-1.46
Compddw	-.279	.153	-1.82
Denmark			
Danish men			
Dmw	-1.594	1.083	-1.47
Ddw	1.250	1.154	1.08
Compdmw	.402	.341	1.18
Compddw	-.0538	.373	-0.14
Danish women			
Dmw	.411	1.129	0.36
Ddw	-.726	1.204	-0.60
Compdmw	-.1798	.347	-0.52
Compddw	.214	.375	0.57

Note: dmw = dummy possession of micro wave; ddw = dummy possession of dishwasher; compdmw = interaction between number of household members and dummy possession of micro wave; compddw = interaction between number of household members and dummy possession of dishwasher.

Regressors include controls for age (linear and quadratic), years of education (linear and quadratic), and previous work experience.

Source: Echp, 1994-2001.