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## **A Critique and Reframing of Personality in Labour Market Theory**

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### **Abstract**

The purpose of this paper is threefold. First, we seek to critically examine the theoretical arguments that underlie the literature linking personality traits to economic outcomes. Second, we provide additional empirical evidence that shows that labour market outcomes do indeed influence personality outcomes and that this endogeneity has broad societal impacts for a wide range of outcomes. This evidence adds to the extensive theoretical and empirical work produced by feminist economists that strongly and consistently shows that the labour market is not the neutral institution that it is presumed to be within traditional neoclassical theory. Third, we argue that the personality traits are more useful in highlighting how gender functions as a social construct within the labour market than as additional explanatory variables that serve to reduce the unexplained gender differences in labour market outcomes.

In the empirical section, the paper specifically focuses on gender differences in the role played by locus of control within a model that predicts outcomes for men and women at two opposite poles of the labour market: high level managerial / leadership positions and unemployment. Based on data from the German Socio-Economic Panel, we investigated the extent to which gender differences occur in the processes by which highly positive and negative labour market outcomes are determined and in the processes underlying the development of one particular aspect of personality, that is, locus of control. Overall gender differences were more pronounced in the results for years in managerial/ leadership positions than for locus of control. Negative labour market states were also marked by gender differences, but not to the same degree observed for positive states.

We conclude by arguing that an explicitly value-laden analysis of the rewards associated with personality within the labour market as opposed to the assumption of value neutrality in neoclassical human capital theory could expose areas where inefficiencies exist in terms of social and economic justice; it could expose areas where the gendered nature of rewards by personality serves to perpetuate power relationships within the labour market that ultimately serve to undermine the ability of the economy to function most effectively for all of its members, not just selected groups.

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