Managers’ gender norms and the gender gap

Maddalena Ronchi* & Nina Smith**

*Queen Mary University of London and IZA; **Aarhus University and IZA

Abstract

Do managers’ gender attitudes shape gender gaps within firms? To answer this question, we build on sociological work showing that a child’s gender influences parental attitudes towards women, and extend it to the context of human resource management. Using cross-sectional data from Denmark, the gender composition of establishments and managers, and data on establishments where managers parent an additional daughter, we show that managers who parent an additional daughter labor market outcomes of female employees improve. This is driven only by male managers and it is stronger for those who are also owners of the establishments. Further, it holds both cross-sectionally and when we exploit birth events within manager-establishment spells. In particular, we find that the female share of the firm wage bill increases by 1.5 percentage points following the birth of a daughter, as opposed to a son. The estimated effect on the female wage bill share is explained both by a rise in the female employment share — in turn driven by a higher propensity to hire women — and an increase in female wages. Our next step is to test the effect of this exogenous improvement in female labor market outcomes — induced by fathering more daughters — on firm performance.

Introduction

Women are still confronted with unequal economic opportunities:

- Gender gaps in wages persist in upper-level positions (Blau and Kahn, 2016; Goldin, 2014)
- Women are promoted at lower rates than their male counterparts (Aznart and Ferrier, 2017)
- Women receive fewer chances to show their ability (Saxons, 2017)

Managers are responsible for the determination of the above corporate practices. If the way in which they evaluate their employees has a gender component, then their actions could influence the gender gap in the firm.

Research Question and Contribution

Do managers’ gender attitudes affect labor market outcomes of their female employees? By answering this question, we contribute to the literature studying:

1. What is the impact of gender norms on the gender gap in economic outcomes?
   - Adherence to gender roles explains women’s LF participation (Portin, 2005; Bertrand et al., 2015), division of domestic work and marriage formation within the household (Fernandez and Fogli, 2009)
   \[ \Rightarrow \text{We add to this lit by looking at gender norms held by men outside the household and within the firm} \]
2. What is the impact of managers’ gender norms on firm performance? [To be done]
   - Firms with preferences for discrimination forgo future profits (Becker 1957, 1971)
   \[ \Rightarrow \text{While literature on gender discrimination is abundant, evidence on the mechanisms at work is scant} \]
3. What are the foundations of gender norms? (i) Female share of tot wage bill (ii) Female employment share
   - Parental characteristics (Olivotto et al., 2004), culture (Fernandez and Fogli, 2009)
   - Fathers of daughters are more likely to disagree with the statement that “husband should earn and wife stay at home” (Borrell-Porta et al. (2018))
   \[ \Rightarrow \text{Fathers of daughters hold less traditional gender roles} \]

Why Child’s Gender Should Matter? Expanding the Female Socialisation Hypothesis

1. Sociologists found that parents with daughters have more egalitarian views and that they show greater support for policies addressing gender inequality (Wanner and Steckler, 1999)
   \[ \Rightarrow \text{Results stronger for fathers: having a daughter makes men more aware of gender biases} \]
2. In economics, the female socialisation hypothesis (FSH) has been shown to influence:
   - Political outcomes: propensity of male members of US Congress to vote liberally on bills regarding women’s issues (Washington, 2008)
   - Corporate outcomes: CSR spending (Cronqvist and Yu, 2017), gender diversity in VC (Gompers, 2017)

Contribution with respect to the literature:

- Focus on relevance of FSH for the gender gap in the universe of firms, allowing for heterogeneous effects
- Methodological improvements: tighter identification strategy thanks to panel data (explore births)
- Test the effect on an exogenous improvement in female labor market outcomes within the firm — induced by the manager fathers more daughters — on firm performance

Empirical Approach and Data

1. Given the decision of having a child, the gender is exogenous: natural-experiment setting — Exploit variation across establishments in the number of manager’s daughters

Compare 2 managers with same N of children to estimate impact of parenting one additional daughter vs son
\[ \Rightarrow \text{Difference in outcomes between two managers yields an estimate of the relative daughter effect} (5) \]

Where:
- \[ Y_{et} = \alpha + \beta N \text{Daughter} + \gamma t + \delta W_{et} + \varepsilon_{et} \]
- \( Y_{et} \) outcomes at the establishment level e, \( t \) a period
- (i) Female share of total wage bill \( W_{Fet}/(W_{Fet} + W_{Met}) \)
- (ii) Female employment share \( N_{Fet}/N_{et} \)
- \( W_{et} \) avg employees character (age, years of education, experience, tenure)
- \( N_{et} \) manager characteristics (age, experience, years of education, tenure)

2. Concern: Endogenous sorting of managers — Exploit variation within establishment in number of daughters given by births to managers adding FE for manager-establishment match

Compare 2 managers with the same \( N \) of children both experiencing a birth (one daughter vs one son)
\[ \Rightarrow \text{Difference in the outcomes before and after the birth between the 2 managers yield an estimate of the relative daughter effect} (5) \]

Where:
- \[ Y_{et} = \alpha + \beta N \text{Daughter} + \gamma t + \delta W_{et} + \varepsilon_{et} \]
- \( Y_{et} \) outcomes at the establishment level e, \( t \) a period
- (i) Female share of total wage bill \( W_{Fet}/(W_{Fet} + W_{Met}) \)
- (ii) Female employment share \( N_{Fet}/N_{et} \)
- \( W_{et} \) avg employees character (age, years of education, experience, tenure)
- \( N_{et} \) manager characteristics (age, experience, years of education, tenure)

Sample

Effect is estimated using Denmark’s Integrated Database for Labor Market Research (IDA):

1. Employer-employee data set on the universe of establishments and workers in Denmark from 1992-2011
   - To ensure mgr is the decision maker select 75,818 single-manager establishments (72% of estab-year observations, 33% of employers = small: avg 13 employees)
   - We have 84,377 distinct mgr-establishment spells
2. Longitudinal information about the family composition of all managers
   - Managers identified based on occupational codes
   - In 82% of our mgr-establishment spells we observe MALE mgrs
   - 19% of mgrs have at least one child, median number of children is 2
   - Approx 9,000 births events

Results

Cross-section of Male Mgrs with 2 children

<table>
<thead>
<tr>
<th>[1]</th>
<th>[2]</th>
<th>[3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>% F Employment</td>
<td>% Hired</td>
<td>% Dismissed</td>
</tr>
<tr>
<td>N Daughters</td>
<td>Wage Bill</td>
<td>Wage Bill</td>
</tr>
<tr>
<td>0.0127***</td>
<td>(0.00165)</td>
<td>0.0124***</td>
</tr>
</tbody>
</table>

- OLS: Cond. on the N of children, each additional daughter parented increases the % F wage bill by 3%
- FE: Same effect when we exploit birth of a daughter, as opposed to birth of a son

Share of Female Employment - Hirings and Separations

Cross-section of Male Mgrs with 2 children

<table>
<thead>
<tr>
<th>[1]</th>
<th>[2]</th>
<th>[3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>% F Employment</td>
<td>% Hired</td>
<td>% Dismissed</td>
</tr>
<tr>
<td>N Daughters</td>
<td>[0.00381]</td>
<td>[0.00595]</td>
</tr>
</tbody>
</table>

- FE: Birth of a daughter, as opposed to birth of a son, associated with an increase in % F employment by 2%
- Positive effect on female employment due to a 4.5% higher likelihood of hiring a female worker - conditional on hiring - and to an absence of an effect on separations
- Increase in % F wage bill explained by an increase in both F employment and F average wages

Conclusions and Further Research

This research shows that gender attitudes of male managers matter for female labor outcomes. In particular, fathering more daughters increases both the share of female earnings and the share of female employment at the establishment level.

\[ \Rightarrow \text{Next:} \]

- Investigate changes in female workforce composition (wages, education, occupation etc)
- Investigate if changes in remuneration/workforce composition caused by the birth of a daughter affect firm performance
- Extend it to multi-manager firms and look at heterogeneous effects by firm type