What is the impact of firms on the gender wage gap?

In frictional labor markets, two channels of firm-related wage inequality:
- between firms – sorting of women into low-pay firms
- within firms – bargaining power of women relative to men

This paper quantifies contribution of firms to gender wage gap – on average, over time and along the distribution of earnings – decomposing sorting and bargaining and explores mechanisms driving it.

Data: Matched employer-employee administrative data (VisitINPS) on the universe of Italian private-sector workers, 1995-2015

Empirical Strategy:
- Estimate gender-specific firm fixed effects (= firm pay policy) from AKM regression
- Follow Card et al. (2016) and decompose differences in pay policy in sorting and bargaining

Results:
- Differences in pay policy explain 30% of gender pay gap: 2/3 due to sorting, 1/3 due to bargaining
- Bargaining increased in importance over time and it dominates at the top of the distribution

Mechanisms/1: gender differences in upward mobility
- Are women less likely to move to firms in a higher firm effects quartile?
- Yes, especially when move is determined by firm closure rather than an individual choice

Mechanisms/2: firm environment affects bargaining power
- Exploit introduction of gender quotas to obtain exogenous variation
- Estimate change in rent-sharing elasticities in treated listed firms relative to a group of control non-listed matched firms.