What Firms Do

Gender Inequality in Linked Employer-Employee Data

Alessandra Casarico, Bocconi University
Salvatore Lattanzio, University of Cambridge

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 Quantify contribution of firms to gender wage gap – on average, over time and along the distribution of earnings – decomposing sorting and bargaining and explore mechanisms driving it

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

Empirical Strategy

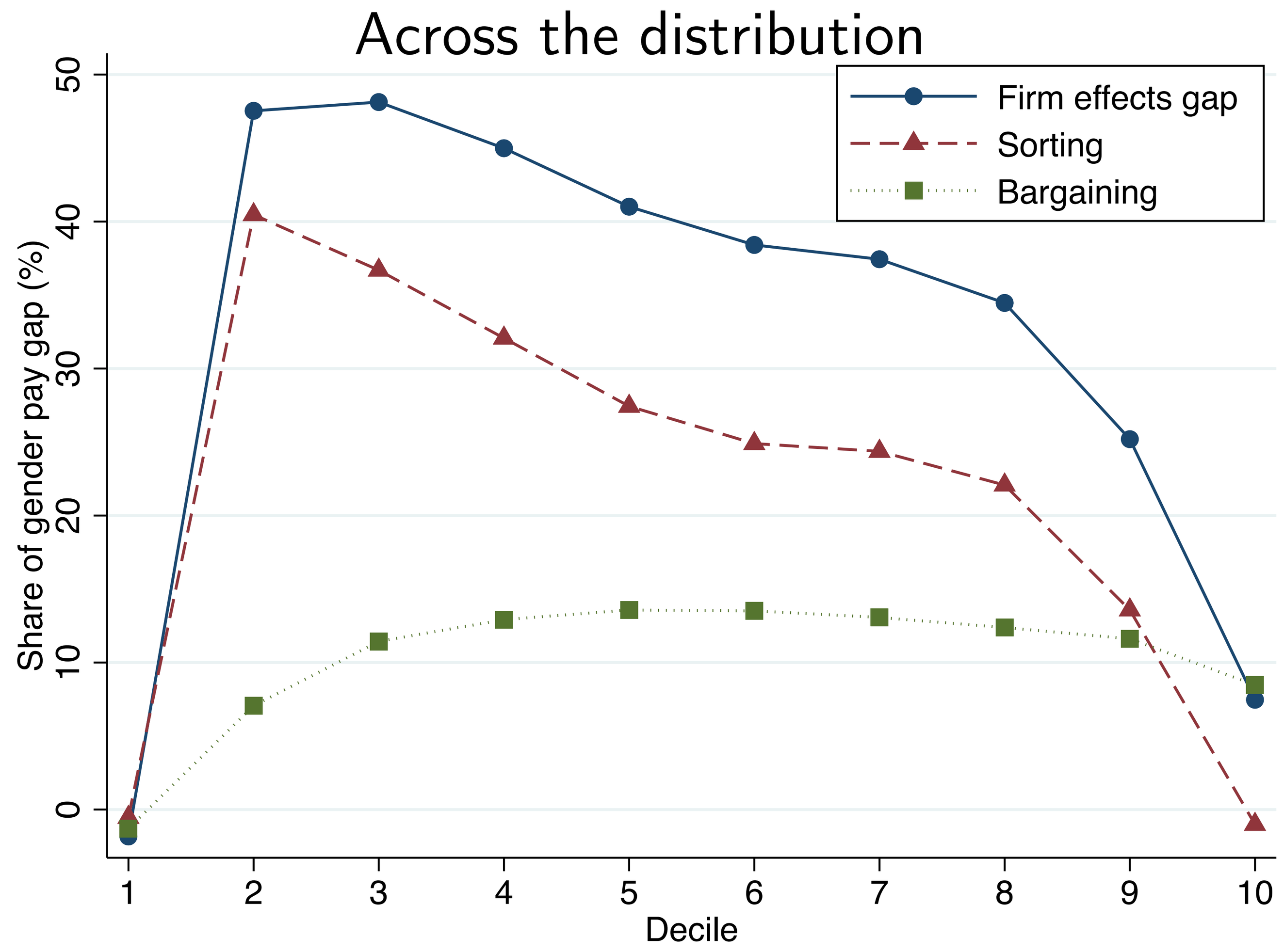
- Estimate gender-specific firm fixed effects (= firm pay policy) from AKM regression
- Follow Card et al. (2016) and decompose differences in pay policy in sorting and bargaining

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

Over time

Across 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

	(1) All	(2) Firm	(3) Individual
Woman	-0.017***	-0.034***	-0.001
	(0.006)	(0.009)	(0.007)
Baseline Probability	0.385	0.374	0.392
Sector and year FE	Yes	Yes	Yes
Observations	3,778,512	1,571,607	2,206,905

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.

	(1) Men	(2) Women	(3) DDD
Change in rent-sharing	-0.032**	-0.002	0.031***
	(0.013)	(0.009)	(0.008)
Observations	2,413,309	1,356,825	3,770,134
R-squared	0.954	0.928	0.946
Controls	Yes	Yes	Yes
Worker effects	Yes	Yes	Yes
Year effects	Yes	Yes	Yes