



Motivation “Ezio Tarantelli” Prize 2019

“The Gender Gap in Earnings Between and Within Firms: Evidence from Linked Employer-Employee Data”

Alessandra Casarico and Salvatore Lattanzio

The paper by Alessandra Casarico and Salvatore Lattanzio investigates the role of firms in determining the gender gap, paying attention to differences along the wage distribution and to the role played by different mechanisms, namely gender differences in sorting and bargaining. Using matched employer-employee data for Italy over the 1995-2005 period, the authors first estimate two-way fixed effects models and then apply a novel decomposition technique to explain how much of the difference in gender-specific firm fixed effects (a measure of firm contribution to gender pay gap) is due to women sorting into low paying firms or to gender differences in bargaining.

Their estimates highlight that firm-specific premia account for a non-negligible share (around 30%) of the gender pay gap in Italy computed at the mean. Two thirds of the firm contribution to gender pay gap is explained by sorting, while the remaining one third is due to gender differences in bargaining. Regarding the drivers of sorting, the authors find that women, especially high ability ones, are less likely than men to move to better paying firms and provide some evidence on the role played by gender differences in risk aversion to explain persistency of the gender mobility gap.

Turning to the role of bargaining, the authors find that, even if the firm contribution to the gender pay gap is roughly stable over the period considered, the importance of bargaining has increased over time, probably due to the progressive widespread of decentralized wage setting in the Italian labour market, especially for high paid jobs. The relative importance of bargaining actually increases with both the job title and along the wage distribution, becoming the main factor driving the firm contribution to the gender gap in the case of managers.

Finally, exploiting the 2011 exogenous reform in gender quotas in corporate boards of listed companies, the authors show that this kind of policy, in line with existing literature for other countries, did not significantly change gender differences in bargaining power, at least immediately after the reform.

The AIEL executive board believes that the paper is highly deserving of the Tarantelli Prize because of its careful estimation strategy applied to high-quality data and its policy relevance. More specifically, the main findings can contribute to design more tailored policies to reduce the gender pay gap, taking into account the relative importance of different channels across jobs or along the wage distribution. This paper shows that the glass ceiling can be broken not only supporting women wage bargaining or career mobility within firms, but also promoting women mobility across firms, especially from low paying to high paying companies.