



***Motivations of the Tarantelli Prize – Year 2012 – given to the paper “The Trend over Time of the Gender Wage Gap in Italy” by Chiara Mussida and Matteo Picchio.***

The paper by Chiara Mussida and Matteo Picchio focuses on the evolution of gender wage inequalities in Italy, comparing the situation in the mid-1990s and the following decade by means of two Eurostat datasets (ECHP and EU-SILC).

Gender wage gap is a very relevant issue in labour economics, and has been widely investigated in the last decades. This paper, building upon own previous work (Mussida and Picchio, Labour Economics, 2011), provides a relevant contribution to the literature since it analyses the time trend of gender gap along the wage distribution adopting an innovative econometric approach that makes allowance for sample selection.

Since the period analysed by the authors has been characterised by important changes in the Italian labour market, for instance concerning the introduction of flexible employment contracts, the structure of the Italian workforce has greatly changed in its composition. Moreover, the structural changes might have affected participation patterns into the labour market, entailing sample selection issues.

The authors enrich the ‘standard’ counterfactual distribution approach (for instance Machado and Mata, Journal of Applied Econometrics; 2005, Donald et al., Review of Economic Studies, 2000) identifying composition and coefficient (or discrimination) effects with a methodology that allows for sample selection along the wage distribution. While this approach is standard when considering the conditional mean, for instance through the two-stage Heckman sample selection model, this innovative paper is one of the few that extends this intuition along the whole wage distribution. Considering the whole distribution is crucial when focusing on gender gap issues, since the literature has stressed the importance of sticky floor and glass ceiling effects. Furthermore, this paper also exploits the panel structure of the data, since multiple observations are utilised to identify the individual unobservables jointly determining workforce participation and wages.

Their innovative technique allows Mussida and Picchio to study the gender wage gap using a hazard-function based estimation approach and microsimulations recovering the sample-selection corrected wage structure by gender and by time period.

When applying this methodology to European panel data (ECHP and EU-SILC), the authors find that the wage structure effect has been increasingly unfavourable for women, especially for those at centre-top of the wage distribution, while the composition effect plays a role in reducing the gender gap since women have increased their skills more than men.

The AIEL executive board has appreciated both the relevance of the topic under scrutiny and the methodological consistency showed in the paper. For this reason the AIEL executive board feels that the paper is highly deserving of the Tarantelli Prize.

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