ASSOCIAZIONE ITALIANA ECONOMIA DEL LAVORO

Motivation "Carlo Dell'Aringa" Prize 2022

"Taxing the Gender Gap: Labor Market Effects of a Payroll Tax Cut forWomen in Italy"

by Enrico Rubolino

The paper by Enrico Rubolino investigates the impact of differentiating payroll tax rates by gender on labor market outcomes and gender gaps. The empirical analysis exploits a large borne payroll tax cut aimed at favouring hires of unemployed women in Italy. Since January 2013, the payroll tax rate paid by the employer for female hires was reduced by 50 percent for a period of up to 12 (18) months for temporary (permanent) jobs (law 92/2012).

Estimates are based on matched employer-employee data provided by the Italian Social Security Institute for the period 2005-2019, merged with firms' balance sheets data collected by Cerved. The data cover the universe of Italian private sector workers and include demographic characteristics, along with detailed information on earnings and jobs for each month. The identification strategy relies on discontinuities in eligibility criteria across municipalities (depending on whether they were eligible or not for EU structural funds), cohorts (younger or older than 50), and occupations (male-dominated occupations vs other occupations, the first defined as those with a gender employment gap larger than 25 percent of the mean gender employment gap). Quite interestingly, such discontinuities were defined on purpose by the law (and not due to differences in its actual implementation), with the aim to favour female employment especially in high unemployment regions and in gender-imbalanced occupations. Given the large set of outcomes considered in the analysis (wages, employment, job duration, unemployment benefits' duration and payment, as well as a number of indicators of firm performance), identification relies on different estimators, samples and sources of identifying variation (such as cross-municipality, cross-occupation, cross-cohort or within-individual cross-job). Results show that the payroll tax cut did not increase net wages (suggesting that tax incidence is mainly on firms), but it generated long-lasting growth in female employment without crowding out male employment. Furthermore, it reduced the time spent on welfare and improved firm performance (not only in terms of female employment, but also in sales, productivity, profitability and capital investment). Finally, the cost-benefit analysis implies that the net cost of the policy is nearly half of its budgetary cost.

The AIEL executive board believes that the paper is highly deserving of the Dell'Aringa Prize because of its careful estimation strategy applied to high-quality data and its policy relevance. More specifically, the main findings based on a rich and rigorous analysis contribute to a better understanding of what measures help to promote female employment and reduce gender discrimination, without harming firm performance. In this perspective, "taxing" gender prejudiced employers seems to be an efficient and effective policy.