

UNDERSTANDING WOMEN'S LABOR MARKET OUTCOMES: LESSONS FROM THE 2023 NOBEL PRIZE IN ECONOMIC SCIENCES

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The recent awarding of the Nobel Prize in Economic Sciences to Claudia Goldin emphasized the need to thoroughly understand the dynamics underlying the evolution of women's labor markets outcomes. Therefore, at the Economic Society for Bocconi Students (ESBS) we dedicated our winter term event to the issues of gender wage gap and discrepancies in employment outcomes between men and women by paying particular reference to Prof. Goldin's research. To discuss these complex topics we had the privilege of being joined by Professors Paola Profeta and Tito Boeri of Università Bocconi.

1. THE DETERMINANTS OF GENDER GAP: A HISTORICAL PERSPECTIVE

Prof. Profeta outlined the investigative approach of Prof. Goldin in researching persistent determinants of gender gaps and their evolution over time. Notably, Prof. Goldin delved into these matters through a historical lens, leveraging extensive data from US historical surveys, industrial statistics and censuses. She identified several determinants of gender gaps, including economic development, technological advancements, structural shifts in the economy, family organization, biases, discrimination and work arrangements.

Interestingly, it was pointed out how women's labor market participation followed a U-shaped evolution. Particular reference was made to the share of married women in the labor force and its evolution from the end of the 18th century onwards. In the late 1770s, when the main occupational sector was agriculture, women's participation to the labor market was fairly high as their skills were high in demand. With the advent of the Industrial Revolution women's participation rate dropped significantly.

The trend overturned only when education became available to a larger share of women. The growth of women's participation was boosted by the change in society's expectations about the role of women and the diffusion of contraceptive methods. This trend change was called the "Quiet Revolution" and was driven by pivotal transformations along three key dimensions. First, the expected horizon of their labor force involvement, changed from intermittent and brief to long and continuous. Moreover, a transformation occurred in how women identified in her occupation, which ceased to be just a job and became a career. Finally, women went from being left in the background to becoming an equally valued decision makers in the family. As a result, in the past, the difference in earnings between men and women could be explained by educational attainment and occupation choices.

Today, the source of inequality is in the couple dynamics and in particular in the disequilibrium in the burden of parenthood. A further issue is represented by the incentives to disproportionately remunerate "greedy jobs"—which are the

ones that require long hours and working particular hours, and which are therefore incompatible with constraints arising from parenthood.

2. DISCRIMINATION IN THE LABOR MARKET AND MEASURING THE GENDER GAP

Prof. Boeri, first, outlined the three main sources of discrimination in the labor market, namely: (i) taste-based discrimination, (ii) statistical discrimination, and (iii) discrimination resulting from monopsonic power.

The first source of discrimination originates from prejudice among employer, who assume women's productivity to be lower than men's. In a perfectly competitive setting, employers with such tastes are eventually driven out of the market.

Statistical discrimination, on the other hand, arises from stereotyping, which leads to attributing to a same signal, different levels of perceived productivity just because individuals belong to different gender groups. This type of discrimination follows from firms' optimizing behavior and is thus persistent under perfect competition.

Finally, in the presence of monopsonic power, employers leverage on the imperfect elasticity of the labor supply to extract rents. Given that women face greater frictions in changing jobs, their labor supply will be more inelastic (less flexible), allowing employers to extract larger rents, resulting in lower wages for women. This framework provides insight into the historical evolution of discrimination. For instance, the transition from pay based on productivity (rate-pace pay) to fixed monthly wages has notably increased disparities in women's remuneration. This could be attributed to employers being able to act on their prejudice and consistently underpredicting women's productivity when paying a fixed wage compared to a rate-pace pay.

Finally, Prof. Boeri brought attention to an important caveat we must consider when measuring gender gaps in labor market outcomes. Specifically, to determine whether women face discrimination, it is not enough to look at gender differences in wages. Rather, we get a more informative picture if we couple the gender wage gap with other measures of gender differences, such as differences in employment. Prof. Goldin significantly contributed to advancing discrimination measurement methodologies. In particular, she popularized the use of résumé studies and quasi-experiments.

SUGGESTED READINGS

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