

Self-Reinforcing Glass Ceilings

By Avenancio-León, Piccolo, and Shen

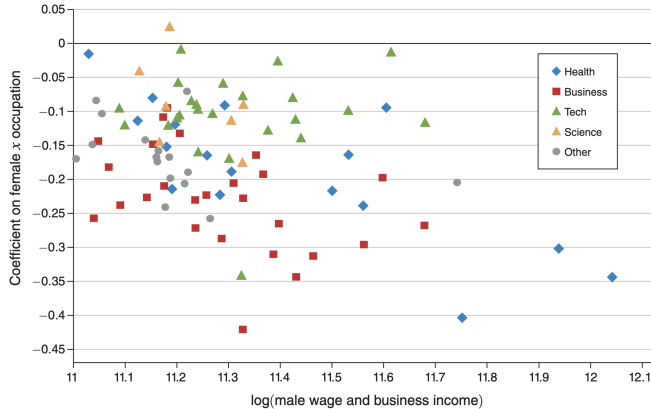
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Summary

- This paper studies how sectoral labor dynamics affects gender wage gap and gender norms



Goldin (Nobel Lecture, 2024 JEL)

Main Finding

- Explanations for differences in gender gap across sectors (non-exhaustive):
 - Elasticity of earnings to hours (“greedy” vs flexible jobs)
Goldin (2014), Wasserman (2023)
 - Personality traits and skills
Cortes and Pan (2018)
 - Discrimination and gender norms
Akerlof and Kranton (2000), Goldin (2013)
- This paper offers a new explanation: different levels of discrimination driven by **competitive pressure + feedback effect through gender norms**
- The mechanism is really interesting and first-order

SEX DISCRIMINATION AND PRODUCT MARKET COMPETITION: THE CASE OF THE BANKING INDUSTRY*

ORLEY ASHENFELTER AND TIMOTHY HANNAN

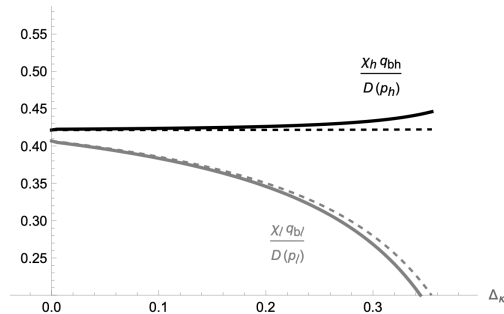
This paper examines the relationship between product market competition and employment discrimination using an especially constructed data set that links microeconomic data on female employment with measures of market concentration in the banking industry. The use of firm-specific data drawn from this one industry allows estimation of this relationship in a manner that avoids the problems of interindustry differences that have troubled previous studies. The results provide strong support for a negative relationship between market concentration and the relative employment of women. Further, we find that individual market shares are unrelated to female employment, suggesting that the relationship is due primarily to differences across markets rather than individual firms.

Paper in a Nutshell

- There are two sectors: H (high-skilled, cognitive) and L (low-skilled, manual)
- In each sector, some firms are biased and pay higher wages to men
- When competitive pressure $\uparrow$ sector L, the share of biased firms $\downarrow$ because biased firms are less efficient, and gender wage gap $\downarrow$ in sector L
- Men sort into sector H, and women sort into sector L
- Fewer women in sector H reinforces gender norm that women should be paid less
- Tests the predictions using banking deregulation, which led to higher competitive pressure and “creative destruction” in some sectors (*Bertrand, Schoar, and Thesmar, 2007; Rice and Strahan, 2010*)

Comment #1: Model and Empirics are Somewhat Disconnected

- The key novelty of the model
 - Competitive pressure only increases in the low-skilled sector L
 - This reduces discrimination in sector L but also reinforces gender norms
 - Sector H and sector L are not inherently different in terms of gender bias. The difference is about skill level and shock



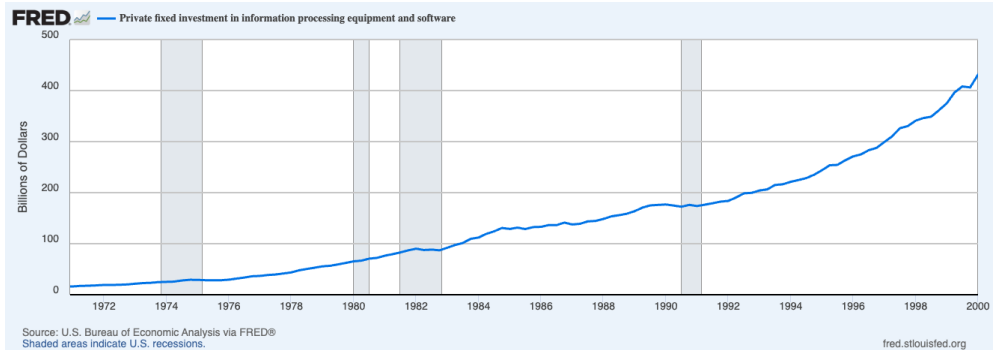
(a) Share of biased firms

Comment #1: Model and Empirics are Somewhat Disconnected

- The existing analysis compares high-gap and low-gap industries, where the gender wage gap is measured in the first five years of our sample (1976–1980)
 - Interesting, but somewhat indirect to test the main economics
 - What drives the starting gender wage gap: decentralization before 1980? Other differences related to gender bias?
- More direct test:
 - Compare high-wage and low-wage sectors (both affected by decentralization, but low-skilled sectors should be more affected)
 - Compare sectors with a larger/smaller increase in competitive pressure (e.g., use reliance on external financing)

Comment #2: Alternative Channel – Automation

- Bank deregulation occurred during 1980s to 1990s, which is the time when automation accelerated



Comment #2: Alternative Channel – Automation

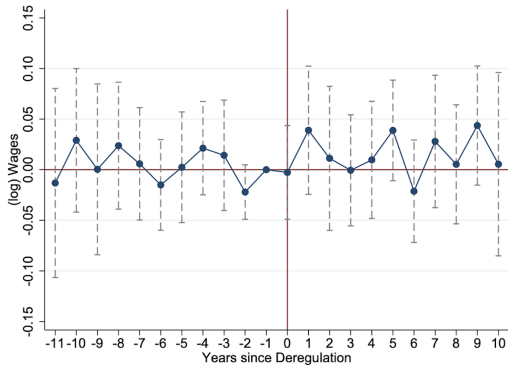
- Bank deregulation relaxed firms' financial constraints, and firms invested more in automation technologies
- Ge and Zhou (2020): increases in **robots** reduce gender wage gap, and increases in **IT & software** increase gender wage gap
- Low-gap (or low-wage) sectors rely more on physical capital and invest more in robots, and high-gap sectors invest more in IT and software
- Can rule it out by comparing different occupations

Comment #3: Alternative Interpretation – Rent Sharing

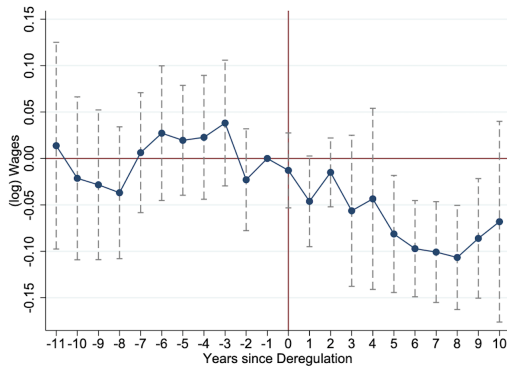
- Following decentralization, revenue per worker **increased** by 4-8% in high-gap sectors, and **decreased** by 16% in low-gap sectors
- Women receive less rents than men (Card, Cardoso, Kline, 2016 QJE)
- Consistent with this hypothesis, Black and Strahan (2001) shows that in the banking sector, male wages decreased by 12% and female wages decreased by 3% after deregulation

Comment #3: Alternative Interpretation – Rent Sharing

Panel A: Absolute Wages – Women



Panel B: Absolute Wages – Men



Comment #3: Alternative Interpretation – Rent Sharing

- Larger rent-sharing elasticity for men can explain larger gender wage gap in high-gap sectors and lower gender wage gap in low-gap sectors
- Fundamentally very similar idea: rents (less competition) allows for differential rent-sharing (discrimination)
- Could have different implications (can potentially test these empirically):
 - More “biased” firms are not less efficient and may be even more efficient (because they have more rents)
 - Any negative shock reducing rents should reduce gender wage gap, and vice versa
 - Gender norms are self-reinforcing because higher rents are always associated with higher wages and higher gender gap (in the paper, this only happens when sector L gets the shock)

Comment #4: Impacts on Firms

- Paper mostly focuses on workers, but would be interesting to explore the implications for firms
- Approach: leverage region-level variation as in gender norm analysis (regions with higher sectoral spread have more sectoral reallocation and shifts in gender norms)
- Conjecture: firms have worse outcomes because gender norms prevent firms from hiring the best match