

Hacienda Pública Española/Review of Public Economics

Manuscript 2095

Introduction to the Special Issue

Alessandra Casarico

Paola Profeta

Follow this and additional works at: <https://services.bepress.com/hpe>

Introduction to the Special Issue
A. Casarico and P. Profeta
Bocconi University, CESifo and Dondena

Introduction

Gender gaps are still wide. Data recently published by Eurostat (2020) testify that, despite progress, equality is yet to be reached. This holds both in the labour market and in politics, where progress has been much slower. According to the World Economic Forum (2020), the world as a whole has closed only the 58% of the gender gap in economic participation and opportunities; the corresponding number for political empowerment is 25%. The staggering progress in female empowerment in the labour market is in stark contrast with women having caught up, and in most instances overtaken, men in educational attainment: in the EU-27, the share of women with tertiary education in the 30-34 age group is 45%; the share of men is 34%. Differences in the labour market perpetuate themselves also after retirement, when the share of women at risk of poverty surpasses that of men. According to the OECD (2019), the average old-age poverty rates for women and men in the OECD equal 15.7% and 10.3%, respectively. Lower earnings-related pension income and longer life expectancy are among the main drivers of higher poverty incidence among women than among men. This is not all: gaps in financial literacy between men and women make the latter more prone to low income risk, since they are less equipped to adequately provide for themselves during old age.

The literature has long debated the causes and consequences of gender gaps and has focused on the identification of potential policies to address them (see Casarico and Profeta, 2015).

Why do we observe gender inequality?

Evidence on the extent of gender wage gaps and their evolution over time is abundant (for cross-country evidence see, for example, Olivetti and Petrongolo, 2016; for the US Goldin, 2006 and Blau and Kahn, 2017). Demand-side factors, such as taste or statistical discrimination, and supply-side factors, such as productivity differences due to human capital accumulation and work effort of women relative to men, are among the explanations for the presence of gender wage gaps surveyed in Altonji and Blank (1999)¹. Given the large inroads of women in education (see Casarico et al., 2016) and the increase in their labour market experience, recent explanations of the persistent gap in pay focus on the role of gender culture and social norms (Fernandez, 2007; Campa et al., 2011), as well as on differences in psychological traits (Bertrand, 2011; Azmat and Petrongolo, 2014). Such outcomes do not depend only on the characteristics and behaviour of workers, but also on those of the firms, which employ them. Firm-related gender wage differences can show up through labour market segmentation of women into firms with lower pay rates. In addition, women may show lower bargaining power compared to men working at the same firm, because they negotiate less aggressively, and hence face different standards of promotion, even when wages tend to be equal within the same occupations.² Firms' behaviour interacts with household choices and can deliver a spiral of self-fulfilling expectations according to which firms think women will work less and will pay them less, household will find it optimal to attribute a larger share of household chores to women, who will consequently work less.

Moving to political empowerment, female under-representation in politics may result from different obstacles in a multi-step ladder process of political recruitment. First, women may not be willing to or may not be interested in competing for political seats, for instance due to time constraints associated with child care duties (e.g., Schlozman et al., 1994), lack of self-confidence or external encouragement (Fox and Lawless, 2004) or lower returns on the political market (Julio and Tavares, 2017). Second, parties, in their

¹ Statistical discrimination implies not only inequality, but also efficiency costs. This justifies the role of policies to remove it, see Conde Ruiz et al., 2017.

² For a description of this literature and for an investigation into the role of firms in determining gender pay gaps, see Casarico and Lattanzio, 2019.

role of gatekeepers, may not choose women as candidates (e.g., Kunovich and Paxton, 2005; Profeta and Woodhouse, 2018). Third, voters may be biased against female candidates and not cast votes for them (e.g., Schwindt-Bayer et al., 2010; Black and Erickson, 2003). Irrespective of the relative importance of these explanations, the literature has proposed many reasons why achieving higher female political empowerment should rank high in the policy agenda. Female politicians appear less corrupt and show higher cooperation and team working skills; female participation in politics create role models for other women, who may decide to pursue a political career; a gender-balanced political body may impact public policy and the allocation of resources across different programs. Exploiting random allocation of women-reserved seats, the pioneer study by Chattopadhyay and Duflo (2004) find that female leaders in India allocate more resources to investments that are more relevant to their own gender, suggesting that descriptive representation involves also substantial representation. Other studies have explored the relationship between the gender of politicians and policy decisions in developed countries, though results are less conclusive (see Hessami and Lopes da Fonseca, 2020, for a review). In a recent paper, Casarico et al. (2019) find that in Italian municipalities over the period 2000-2015, female mayors collect more revenues and spend more than male ones. In contrast, Ferreira and Gyourko (2014) find that female mayors in US cities have no impact on municipal spending, employment and crime rates. Bagues and Campa (2019) find that the gender of Spanish municipal councilors does not bring about more expenditure on issues women care about the most.

How can gender inequality be addressed?

Public policies are used to address gender inequality. They include childcare, maternity, paternity and parental leaves, fiscal policies, labor market interventions, affirmative action and gender quotas.

The role of public policies to improve gender equality both in the labor market and in the political sphere has been largely investigated by the existing literature (see Profeta, 2020 for a comprehensive analysis).

Both cross-country regressions and micro-level studies provide evidence of a positive role of family policies in promoting female employment and reducing gender gaps in the labour market (Olivetti and Petrongolo 2017). While maternity and parental leave seem to have a nonlinear relationship with female employment (increasing up to approximately 50 weeks of leave and then declining), formal childcare have clear positive and significant effects on maternal employment.³ Flexible work arrangements have also proved to play a relevant role: flexibility of place and time of work for a limited time of the weekly work activity (for example, one day per week) promotes work-life balance, with effects which are particularly positive, though not exclusively, for women (Angelici and Profeta, 2020).

Moving to the reduction of the glass ceiling, gender quotas play an important role to accelerate progress towards economic gender equality and to promote female empowerment. Several countries have introduced gender quotas for board of directors, starting from Norway in 2005. The introduction of board gender quotas is associated with an increase of the share of women in decision-making positions, but also with a better selection process, which increases the quality of all members of the board and induces positive effects on the stock market (see Ferrari et al., 2018 for the case of Italy and Profeta et al, 2014).

Gender quotas are a widespread policy tool also to strengthen female political representation. Some countries legislate quotas in candidate lists; others have voluntary quotas at party level. When legislated quotas are present, they are often set at different levels, generally between a third and a half of the list (Gender Quota Database).

Gender quotas are a much debated policy tool. The main objection to the use of this instrument is that it does not obey to meritocracy, thus less qualified individuals who will perform poorly are elected and a loss of efficiency (Holzer and Neumark, 2000) can be expected. However, running counter the expectation that quotas worsen the pool of elected politicians, Baltrunaite et al. (2014) show that in Italy the quality of elected politicians improved in municipalities, which voted with gender quotas on candidate list. A similar result is shown in Besley et al., 2017 for Sweden. Gender quotas also helped to reduce the average age of

³ Despite its important role for maternal employment, early formal childcare (for children aged 0-2) is still scarcely used, also due to cultural obstacles (see Galasso et al., 2017).

politicians (Baltrunaite et al., 2015). As to the effects of gender quotas on female empowerment, they have proved effective in raising female representation in local politics in Italy, for instance (De Paola et al., 2010), but they have been less successful in Spain (Bagues and Esteve-Volart, 2012; Bagues and Campa, 2018; Casas-Arce and Saiz, 2015).

While gender quotas act directly on party behaviour, the underrepresentation of women may come from voters' choices. Baltrunaite et al. (2019) analyse a policy bundle introduced in Italy in 2012: gender quotas on candidate lists *and* double preference voting conditioned on gender, whereby voters can express two preferences rather than one, provided that votes are cast for candidates of different gender. The law targets all Italian municipalities with more than 5,000 residents, and they use this threshold to understand whether municipalities just below or above it behave differently in terms of share of women being elected to the municipal council. The authors find that the policy leads to an 18 percentage point increase in the share of elected female politicians, and that double preference voting plays an important role in promoting female political empowerment.

This special issue

The papers in this issue contribute to deepen our knowledge both on the *why* question, and on the *how* question, by providing new evidence on critical areas where gender gaps show up.

The selection of papers included in this issue starts from the research area related to *access* and *participation* to the labour market.

In "Gender Gap and Multiple Choice Exams in Public Selection Processes", Conde-Ruiz, Ganuza and Garcia explore the role of multiple choice tests as tools the public sector adopt to select and recruit employees. Empirical and experimental literature has found evidence that females skip more questions, with negative consequences on their performance and, thus, chances to be hired. Using data of the Spanish MIR (Medico Interno Residente) national exam of 2019, they investigate if gender differences in behaviour arise. Since these are high-stakes tests, whose outcome affects the long-term opportunities of test takers, it is important to assess whether the way these tests are designed is systematically biased against one gender. They find that when a female prepares intensively and trains for the test, although she skips more questions than men, the effect is significantly smaller than what shown in existing literature.

There is evidence that both horizontal and vertical segregation are important labour market phenomena for women. Less is known on gender differences in skill mismatches in the labour market, which are important aspects in order to design appropriate labour market policy responses. In "Gender differences and skill mismatches", Moro-Egido analyses to what extent skill and qualification mismatches are related, distinguishing by gender. She finds that there are important differences by gender: past skill mismatches are more relevant for current over-skilling for men, while qualification mismatches matter more for women. She also shows that country differences only remain for women, when controlling for other characteristics.

In all European countries, part-time workers are predominantly female. While part-time often facilitates women's participation to the labour market, its costs in terms of earnings and career prospects are known. In "European part-time workers' health and well-being in times of crisis: the case of female part-timers", Merino-Llorente and Somarriba-Arechavala focus on the less known health and well-being implications of part-time, in a gender perspective. They find that female part-time workers display lower levels of health and well-being compared to men in the EU28. They highlight that factors such as the nature of the work - whether manual or not-, difficulty in making ends meet, perceived job insecurity, social support and work-life balance play an essential role in levels of female part-timers' health and well-being. Their analysis has policy implications: changes in public policies designed to improve working conditions (better schedules and a greater presence of non-manual skilled jobs) coupled with changes in family policy, could play a key role in reducing gender differences.

Going further into the analysis of the role of *public policy*, in “The tax-benefit system and gender gap. An across-Europe study”, Fuenmayor, Granell and Savall Morera focus on gender inequality as measured by the gender income gap, shifting from earnings to disposable income as indicator of available resources.⁴ Their aim is to quantify the effect that each policy of the tax-benefit system has on the gender income gap, focusing on all countries of the European Union. They provide evidence that public intervention through tax-benefit policies can contribute to a reduction in the gender income gap. They also endorse the idea that social inequality declines with a decrease in the gender income gap, indicating that progress in the reduction of gender inequality also implies improvements in overall inequality.

The implementation of public policy very much depends on the political agenda. As discussed previously, the evidence on the impact of gender on public policies is still mixed. In “Women’s preferences for social spending: theory and evidence from Spanish political representatives”, Andina-Díaz, Penalva-Planelles and Socorro Puy contribute to this literature by analysing whether political representatives –namely, Spanish legislators during the IX Spanish Legislature (2008-2011)- have gendered preferences for social policies. They show that gender differences arise in the national chambers and within the right-wing party, where female representatives report a stronger preference for social spending on pensions and education. There are no significant gender differences within left-wing representatives or among regional representatives.

Preferences and beliefs matter not only for the setting of public policy, but also for financial behaviours and outcomes. In “Canadian Gender Gap in Financial Literacy: Confidence Matters”, Fonseca and Lord investigate the socioeconomic and demographic factors associated with the gender gap in financial literacy in Canada, stressing in particular the importance of confidence. They construct a financial literacy index as well as a financial confidence index in order to evaluate the effect of confidence on the gender gap in financial literacy. Their results confirm the existence of a gender gap in financial literacy in Canada, and show that having a higher confidence in one’s financial skills and knowledge is indeed a factor that increases one’s financial literacy. In addition, financial confidence is found not to track actual financial skills very closely across different ages, especially for women, and at older ages. They also establish that confidence explains 14.15 per cent of the gender gap in financial literacy, but most of the gap remains unexplained by differences in observables between men and women.

Overall, the contributions in this special issue provide new evidence on the emergence of gender gaps in critical areas. They also show the role of policies and measures which help reducing gender gaps and their consequences in the public and private sector of the labor market, in the political agenda and in financial literacy.

REFERENCES

Altonji, J. and Blank, R. 1999. ‘Race and Gender in the Labor Market’. Handbook of Labor Economics. Elsevier.

Andina-Díaz A., Penalva-Planelles P. and Socorro-Puy M. 2020. Women’s preferences for social spending: theory and evidence from Spanish political representatives. *Hacienda Pública Española / Review of Public Economics*, 235, pp XXX

Angelici, M. and Profeta, P. 2020. Smart-working: work flexibility without constraints. Dondena wp. 137

Atkinson, A., Casarico, A. and Voitchovsky, S. 2018. Top Incomes and the gender divide. *Journal of Economic Inequality* 16(2): 225-256.

⁴ Atkinson, Casarico and Voitchovsky (2018) focus on the top of the income distribution (top 10 per cent and above) and analyse the gender divide in that portion of the distribution.

- Azmat, G. and Petrongolo, B. 2014. Gender and the labor market: What have we learned from field and lab experiments? *Labour Economics*, 30(C): 32-40.
- Bagues, M. and Campa, P. 2018. Can Gender Quotas in Candidate Lists Empower Women? Evidence from a Regression Discontinuity Design. Discussion Paper No. 12149. CEPR.
- Bagues, M. and Esteve-Volart. 2012. Can Gender Parity Break the Glass Ceiling? Evidence from a Repeated Randomized Experiment. *Review of Economic Studies* 77 (4): 1301–28.
- Baltrunaite A., Bello P., Casarico A. and Profeta, P. 2014. Gender quotas and the quality of politicians. *Journal of Public Economics*, 118: 62-74.
- Baltrunaite A., Casarico A., Profeta P., and Savio G. 2019. Let the voters choose women. *Journal of Public Economics*, 180.
- Baltrunaite A., Casarico A., Profeta P. 2015. Affirmative action and the power of the elderly. *CESifo Economic Studies*, 61 (1): 148-164.
- Bertrand, M. 2011. New Perspectives on Gender. In *Handbook of Labor Economics*, 4:1543–90. Elsevier.
- Black, H. and Erickson, L. 2003. Women Candidates and Voter Bias: Do Women Politicians Need to Be Better? *Electoral Studies* 22 (1): 81–100.
- Blau F. and Kahn L. 2017. The Gender Wage Gap: Extent, Trends, and Explanations. *Journal of Economic Literature* 55 (3): 789–865.
- Campa P., Casarico A. and Profeta P. 2011. Gender gap in employment and gender culture. *CESifo Economic Studies*, 57(1): 156-182.
- Casarico, A. and Lattanzio, S. 2019. What firms do: Gender inequality in linked employer-employee data WorkINPS paper 24 and Cambridge-INET wp 1915.
- Casarico, A. and Profeta, P. (eds) 2015. The determinants of gender gaps. Special issue of *Cesifo Economic Studies* 61 (1).
- Casarico, A., Lattanzio, S. and Profeta, P. 2019. Women, Local Public Finance and Fiscal Adjustment. Dondena wp 133.
- Casarico A., Profeta P. and Pronzato C. 2016. On the regional labor market determinants of female university enrolment in Europe. *Regional Studies*, 50 (6): 1036-1053.
- Casas-Arce, P. and Saiz, A. 2015. Women and Power: Unpopular, Unwilling, or Held Back? *Journal of Political Economy* 123 (3): 641–69.
- Chattopadhyay, R. and Duflo, E. 2004. Women as Policy Makers: Evidence from a Randomized Policy Experiment in India. *Econometrica* 72 (5): 1409–43.
- Conde Ruiz, J.I., Ganuza, J.J. and Profeta, P. 2017. Statistical Discrimination and the Efficiency of Quotas. 2017–04. Working Papers. FEDEA.
- Conde-Ruiz J.I., Ganuza, J.J. and Garcia. 2020. Gender Gap and Multiple Choice Exams in Public Selection Processes. *Hacienda Pública Española / Review of Public Economics*, 235, pp XXX.
- De Paola, M., Scoppa, V. and Lombardo, R. 2010. Can Gender Quotas Break down Negative Stereotypes? Evidence from Changes in Electoral Rules. *Journal of Public Economics* 94 (5–6): 344–53.
- Eurostat. 2020. Gender Statistics, https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_statistics

- Fernandez, R. 2007. Women, Work, and Culture. *Journal of the European Economic Association* 5 (2–3): 305–32.
- Ferrari, G. Ferraro, V. Profeta, P. and Pronzato, P. 2018. Do Board Gender Quotas Matter? Selection, Performance and Stock Market Effects'. SSRN Scholarly Paper ID 3170251.
- Ferreira, F. and Gyourko, J. 2014. Does Gender Matter for Political Leadership? The Case of US Mayors'. *Journal of Public Economics* 112: 24–39.
- Fonseca R. and Lord S. 2020. Canadian Gender Gap in Financial Literacy: Confidence Matters. *Hacienda Pública Española / Review of Public Economics*, 235, pp XXX
- Fox, R. and Lawless, J. 2004. Entering the Arena? Gender and the Decision to Run for Office. *American Journal of Political Science* 48 (2): 264–80.
- Fuenmayor A., Granell R. and Savall Morera T. 2020. The tax-benefit system and gender gap. An across-Europe study. *Hacienda Pública Española / Review of Public Economics*, 235, pp XXX
- Galasso, V., Profeta, P., Pronzato, C. and Billari, F. 2017. Information and Women's Intentions: Experimental Evidence About Child Care. *European Journal of Population* 33 (1): 109–28.
- Goldin, C. 2006. The Quiet Revolution That Transformed Women's Employment, Education, and Family. *American Economic Review* 96 (2): 1–21.
- Hessami, Z. and Lopes da Fonseca, M. 2020. Female Political Representation and Substantive Effects on Policies: A Literature Review. *European Journal of Political Economy* forthcoming.
- Holzer, G. and Neumark, D. 2000. Assessing Affirmative Action. *Journal of Economic Literature* 38 (3): 483–568.
- Julio, P. and Tavares, J. 2017. The Good, the Bad and the Different: Can Gender Quotas Raise the Quality of Politicians? *Economica* 84 (335): 454–79.
- Kunovich S. and Paxton, P. 2005. Pathways to Power: The Role of Political Parties in Women's National Political Representation. *American Journal of Sociology* 111 (2): 505–52.
- Merino-Llorente M.C. and Somarriba-Arechavala N. 2020. European part-time workers' health and well-being in times of crisis: the case of female part-timers. *Hacienda Pública Española / Review of Public Economics*, 235, pp XXX
- Moro-Egido A. 2020. Gender differences and skill mismatches. *Hacienda Pública Española / Review of Public Economics*, 235, pp XXX
- OECD (2019), Pensions at a glance, Paris.
- Olivetti, C. and Petrongolo, B. 2017. The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries. *Journal of Economic Perspectives* 31 (1): 205–30.
- Profeta, P. 2020. Gender equality and public policy. Measuring progress in Europe. Cambridge University Press.
- Profeta, P. and Woodhouse, E. 2018. Do Electoral Rules Matter for Female Representation? Working paper Dondena.
- Profeta, P. Amidani, L., Casarico, A., D'Amico, M. and Puccio, A. 2014. Women directors. The Italian way and beyond. Palgrave MacMillan.
- Schlozman, K., Burns, N. and Verba, S. 1994. Gender and the Pathways to Participation: The Role of Resources. *The Journal of Politics* 56 (4): 963–90.

Schwindt-Bayer, L., Malecki, M. and Crisp, B. 2010. Candidate Gender and Electoral Success in Single Transferable Vote Systems. *British Journal of Political Science* 40 (3): 693–709.

World Economic Forum (2019) Gender Gap Report.