Discussion of "The Gender Unemployment Gap"

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This paper:

- Why was the unemployment rate for women higher than for men?

- Why did the gap evaporate?

- A simple hypothesis: women's labor market attachment was lower than men, and eventually converged
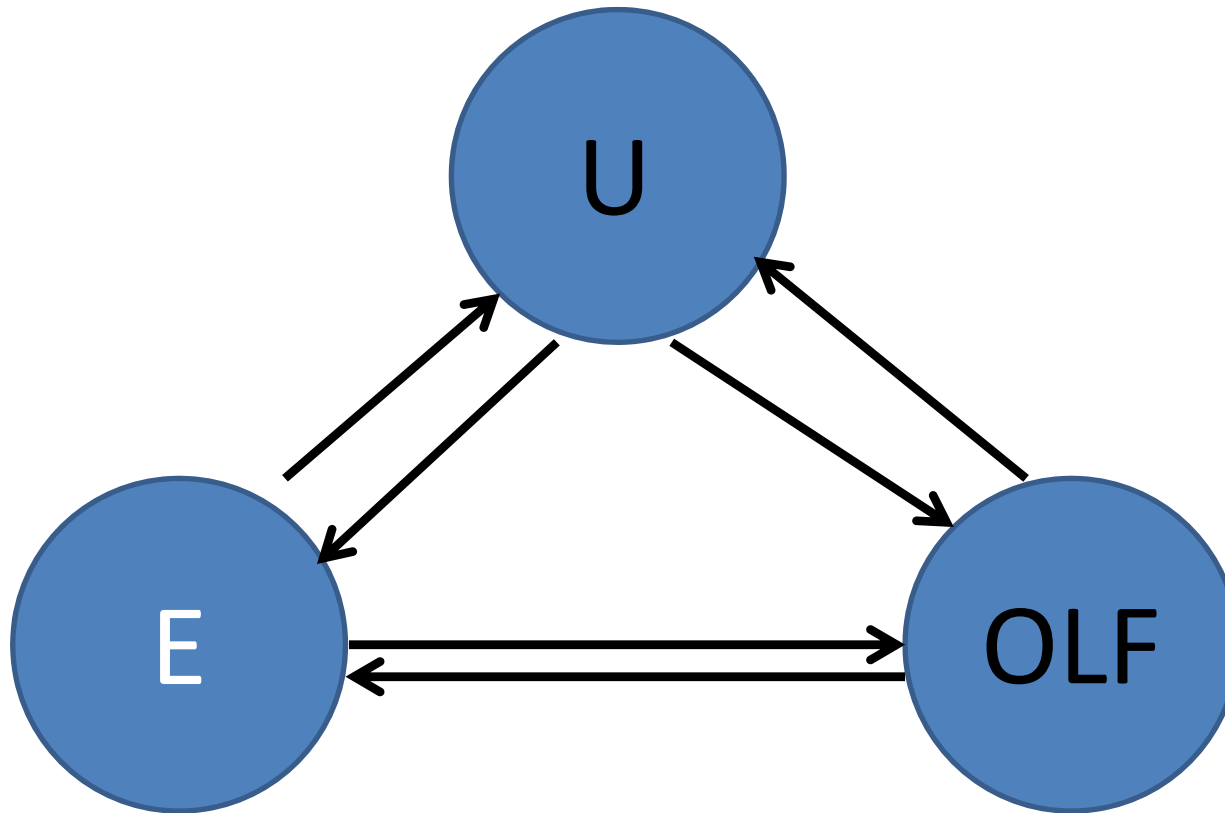
The role of wages

- If women have a lower attachment than men, their outside option in bargaining is higher

- Consequently, a Nash bargaining model predicts higher wages for women

- To avoid this problem, Stefania assumes an asymmetric wage formation system

Wage formation

- Men's wage determined by Nash bargaining
- Women's wage adjusted residually so that NPV of employing a worker is the same for both sexes
- Since women are more likely to quit, this means wages are lower for women
- Nice feature is that lower attachment reduces wages rather raising them

Why was female unemployment higher after all?

Has anybody tried to compute the unemployment rate?

$$u = \frac{a_{NU}a_{LN} + a_{NU}a_{LU} + a_{LU}a_{NL}}{(a_{LU} + a_{UL})(a_{NU} + a_{NL}) + a_{NU}a_{LN} + a_{UN}a_{NL}}$$

What do we get here?

- Job finding rate identical for women and men
- Job loss rate identical
- However women quit more often due to higher value to be OLF
- This mechanically raises their unemployment rate because one reenters through unemployment.

Assume $a_{NL} = 0$

- Formula simplifies
- Unemployment rate goes up with quits, holding s and h constant

$$u = \frac{a_{LN} + a_{LU}}{a_{LN} + a_{UL} + a_{LU}}$$

Suggestions

- Is that the most plausible model to explain the closing of the sex unemployment gap?

- It would be nice to run a horse race between this model and alternative models

- It would be nice to relate the rise in women's attachment to development in marriage, fertility, etc.

The politically incorrect model

- Women are less productive than men
- Their wages are lower
- Lower job finding rates if (i) search is directed or (ii) endogenous search effort
- Higher job loss rate if idiosyncratic productivity shocks
- Convergence results from closing the productivity gap
- A PC version probably exists (discrimination)

What do the data say?

- EU flow virtually identical for men and women in 1978 ➜ consistent with the authors' model

- But UE flow higher for men, and model underpredicts the gap ➜ consistent with Pol. Inc. model
  - Q: Why does the model predict a gap at all in this flow?