

ARE WOMEN MORE EXPOSED TO FIRM SHOCKS?

BY BAGHAI, SILVA, AND SOARES

Elena Simintzi

CSEF-RCFS Conference

June 2023

Employees value *stability* and firms may provide insurance to workers:

- in exchange for lower average wages
- push workers to invest in firm-specific human capital

But, enforceability is a problem as firms in distress may still fire workers, and workers may not invest in firm-specific human capital and/or resign.

Ability to honor implicit contracts depends on:

- Firm's access to credit (e.g., Caggese and Cunat, 2008)
- Family ownership due to reputation concerns and longer horizons (Ellul, Pagano, and Schivardi, 2018)
- Diversification of owners' wealth (Bena et al., 2023)
- Control rights to employees (e.g., through labor representation in governance as in Kim, Maug, and Schneider, 2018)

This paper has a different focus, emphasizing the *heterogeneity* in insurance provision by employee gender.

Gender insurance gap: risk-absorption higher for women employees relative to men.

- Results are robust and very intriguing.
- I totally believe them.

My focus will be on: **Why do firms insure women less?**

1) INSURANCE VS. LEVEL OF WAGES

Employees accept lower wages in return for getting insurance for their employment and wages (e.g., Azariadis, 1975; Baily, 1974).

- Do women absorb more risk in exchange for a higher level of wage?
X Not the case! We know women make *less* on average. This is also true in Sweden.
- But what about **total** pay, including non-wage compensation?
 - Certain benefits may be more valuable to women than men: e.g., maternity benefits, childcare access, paid sick/family leave.

1) INSURANCE VS. LEVEL OF WAGES

...and these benefits have been increasingly important over time.

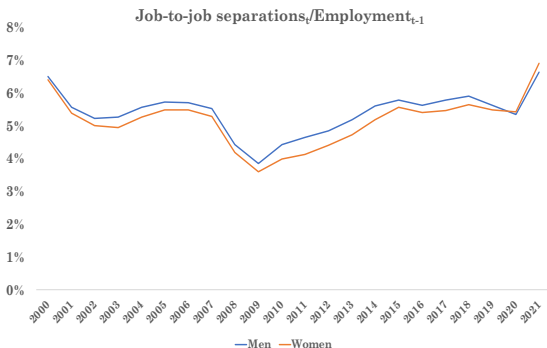


- Do you observe non-wage benefit offerings/usage at the individual/firm level?
- The sample splits by children are consistent with this explanation.

2) COSTLY TURNOVER

Employee turnover is costly for firms and providing insurance has been shown to increase employee retention (e.g., Bena et al., 2023).

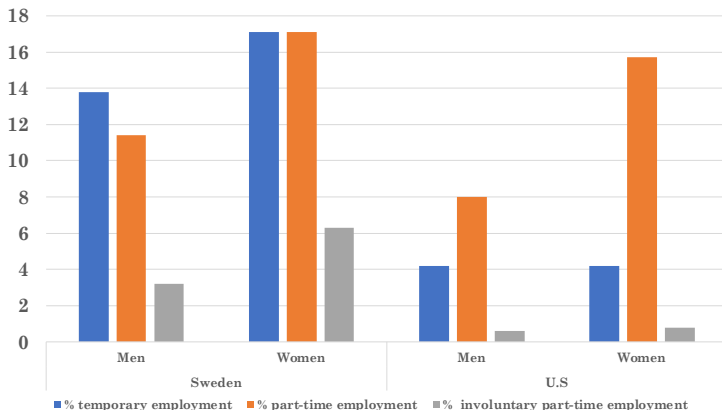
- Are male employees more likely to quit and transition to another job than women?



- What about Sweden?
- Do you find stronger effects in sectors where male quit rates are higher?

3) TYPE OF WORK

The results in the paper could be explained if female employees perform more “marginal” jobs within the firm or if they are employed under more flexible contracts.



3) TYPE OF WORK

Results robust to Firm \times Occupation \times Year FE

→ How detailed is the Occupation variable?

Results robust to excluding part-time workers, defined as those who make less than 100,000 SEK in 2000 prices (about \$10,000)

→ Is that a good proxy?

→ To control for compositional changes, you can also control for Person-Firm FE when estimating the effect of *Female* \times *Shock* on Wages.

3) TEMPORARY WORK

Matsa, Melzer, and Zator (2023) show that temp workers in Europe suffer from greater income uncertainty, even in the same occupation.

Caggese and Cunat (2008) show that financially constrained firms hire more temporary workers, who then absorb the larger fraction of employment volatility.

- Women more likely to be employed under temporary contracts in Sweden (OECD.stat). What happens when you drop those from the analysis?

4) BARGAINING

Differential bargaining power by gender has been shown to be an important driver of the gender pay gap (e.g., Card et al., 2016).

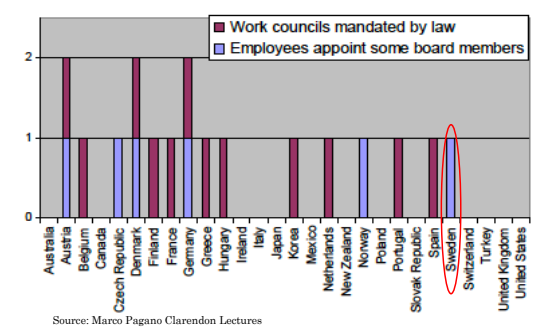
Could it be that women are “bad” negotiators and they get i) lower pay and ii) absorb more risk?

- The sample splits by female representation at the top (Table 10) are consistent with this explanation.
- Can you split your sample by education/hierarchies? A bargaining channel à la Card et al.,(2016) would predict stronger effects among the more educated workers.

5) CONTROL RIGHTS

Kim, Maug, and Schneider (2018) show that labor representation on boards improves firm-employee risk sharing, but not for those (unskilled) workers not represented on corporate boards.

- Sweden seems to have labor board representation.



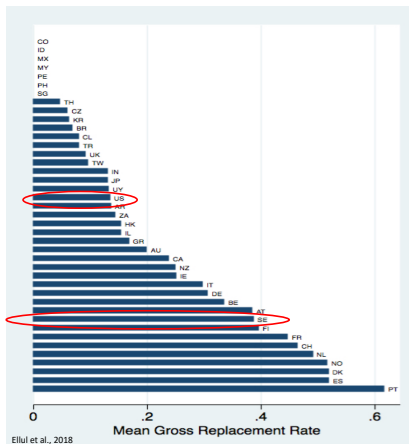
- But is labor board representation predominantly male?
- You could explore if control rights through (male) labor board representation is a relevant channel.

- Do you find stronger effects in family firms vs. non-family firms as in Ellul, Pagano, and Schivardi (2018)?
- The insurance effect should be stronger for transitory shocks as opposed to persistent shocks. Can you check?
 - see e.g., Guiso, Pistaferri and Schivardi (2005), Ellul, Pagano, and Schivardi (2018).

EXTERNAL VALIDITY

Insurance by firms and government insurance are substitutes (Ellul, Pagano, and Schivardi (2018)).

→ Should we interpret the magnitudes as a lower bound?



Ellul et al., 2018

Very nice paper!

I believe the key result.

Dig deeper into the mechanisms.