

# Bargaining for Trade: When Exporting Becomes Detrimental to Female Wages

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***\*The views expressed in this presentation are those of the author and do not necessarily reflect those of the OECD and its member countries***

# Motivation

- Among major policy concerns
  - rise in income inequality associated to globalization
  - persistent wage gap between men and women
- Does globalization affect the gender wage gap (GWG)?
  - Little and mixed evidence at sector and firm level
    - Linked to flexibility of working hours (Boler et al, 2018)
    - Linked to task content in occupation (Bonfiglioli and De Pace, 2021)
- This paper:
  - estimates the effect of firm's export on the GWG at firm-employee level
    - how exports affect the wage gap between male-female coworkers
  - explores mechanisms

# What the Authors Do

- Use matched employer-employee data for Sweden and indices of Contract Intensity (CI) across industries (1997-2015)
- Estimate worker-firm wage equations
  - identification out of
    - variation in export at firm-time level
    - variation in wage of each worker matched with the firm
- Classify industries based on CI (Nunn, 2007)
  - contract-intensive industries: *products that use more inputs that are not sold on an organized exchange and require more bargaining to complete a deal*
- Proposed explanation – Male workers' comparative advantage in bargaining when serving foreign markets

# Main Results

- As the firm increases export intensity, GWG increases
- More so for workers in high-CI industries
  - effect is irrespective of education level
  - but concentrated among white-collar, managers (but also tech workers)

# Addressing the channels

*What is so different about export?*

- Export VS Domestic Sales
  - No effect of domestic sales on GWG
- Export VS foreign ownership
  - No effect of trade with external foreign partners
- Hypothesis : gender-specific comparative advantage in negotiations
  - Exporting – especially of goods that involve more buyer-seller interactions - requires more “male skills”
  - Firms value relatively more current male workers, especially in high contract-intensity industries

# Discussion – Alternative channels?

- *Countries of destination effect?*
  - Sweden should have a CA in CI goods and sell them to countries with low institutional quality, which happen to have more gender inequality
    - But then, is it about male CA in bargaining or discrimination (e.g. Lark and Videnord, 2023)?
    - Bargaining is important vis-à-vis the supplier of inputs that are not sold on organized markets, not necessarily in export of CI goods

# Discussion – What to do?

*Depends on the channel*

- If male CA in bargaining (with foreign clients but also with the employer) is main channel :
  - More training activities
  - Implement pay transparency (especially in international firms) and *Equal pay audits* (OECD, 2023)
- If others :
  - Improve rule of law across trading partners