

Is the gender wage gap cyclical? Evidence from the Norwegian labor market

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Economic fluctuations have different consequences for the wages of different demographic groups. Understanding what drives these consequences is important for policies that aim to support both economic stability and equal pay.

The role of observable characteristics (e.g., education, age, part-time work) for the gender wage gap is extensively analyzed in the literature, but the role of labor market conditions has received limited attention. Building on the literature that investigates wage sensitivity to labor market conditions, we analyze the interplay between the gender wage gap and aggregate unemployment.

Our empirical analysis relies on Norwegian registry data that covers the years 2000-2019 with detailed information on wage components at the job level. Although the Norwegian unemployment rate has been low during these years, it has varied more for men than for women. This supports evidence that the Norwegian labor market is gender-segregated, and it shows that low unemployment rates do not preclude the presence of economic fluctuations.

Our results indicate that the gender wage gap is cyclical –it becomes smaller when unemployment is high. On average, for the period 2000-2019, one *percentage point* increase in aggregate unemployment is associated with 0.3 *percentage point* reduction in the gender wage gap. This association, however, does not necessarily reflect the causal effect of economic crises on the gender wage gap. To isolate this causal link, we are expanding our analysis by comparing Norwegian municipalities that have shown varying degrees of vulnerability to economic downfalls (e.g., the financial crises in 2008, the oil-price fall in 2014).

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