

# Summary

There are persisting differences between men and women on the Swedish labour market: women and men on average have different occupations, men works more full-time than women, women on average earns less than men, and there are more men who are managers than women. The reasons are several. Some relate to women's and men's different labour supply, for example due to different choices of education and hours worked; others depart from the assumption that the demand for men and women in the labour market differs.

The aim of this report is to investigate whether employers discriminate against women compared to equally productive men in the Swedish labour market. If employers offer women lower wages and poorer opportunities for promotion than equally qualified men, it would constitute a partial explanation to the observed gender differences.

In economics, there are three main theories of discrimination. The first theory (*taste-based discrimination*) assumes employers discriminate because they simply prefer not to work with women and are willing to pay men more to hire them instead of equally qualified women. The second theory (*statistical discrimination*) is based on the fact that employers use information about the average behaviours of women and men respectively when lacking information about individual men and women. For example, if women on average work more part-time than men, it may imply that an employer looking for a worker who is inclined to work long hours, choose to hire a man rather than a woman. The third theory (*implicit discrimination*) assumes that employers, as people in general, are influenced by social norms and stereotypes in their choices. Unconsciously, therefore, employers may promote a man rather than a woman as a manager, because the norm is that

managers are men. Although it is empirically difficult to discern the different types of discrimination, these theories can provide guidance on the mechanisms at work and the policies that might have an impact when fighting discrimination.

Since the existence of a gender pay gap has been the starting point for studies on gender differences in the labour market, the empirical part of the report starts with an analysis of the gender pay gap. After a brief review of the trends in the gender pay gap at the aggregate level, the report studies whether there are any gender pay gaps within occupations, after controlling for differences in productive characteristics across individuals. It turns out that the gap in average earnings between men and women tends to increase with the average salary in the occupation. The occupations with higher average earnings tend not only to have more pronounced gender gaps, but also to be male-dominated. These gender pay gaps in occupations already exist for young workers (below 30 years), albeit at somewhat lower levels. Even in managerial positions, a clear gender pay gap persists when gender differences in productive properties are accounted for.

Although the unexplained part of the gender pay gap (after controlling for differences in productive observable characteristics across genders) cannot straightforwardly be interpreted as a measure of discrimination in the labour market, it is telling that women not only earn less in female-dominated occupations than men in male-dominated occupations, that women working in male-dominated occupations earn less than equally qualified men working in the same occupations. The fact that this pattern recurs even within specific management occupations is difficult to explain without referring to some form of discrimination.

Research studies with correspondence tests show that there is generally no difference in the probability between women and men of being called to an initial interview for a vacancy. On the other hand, the likelihood of being called to interviews falls faster with increasing age for women than for men. Unfortunately, higher positions are not included in these studies because they are not suitable for the correspondence test methodology. The only study on Swedish conditions that also analyses the likelihood of being offered a job in field experiments shows that women are more likely to be offered employment if the first phase of the

employment procedure is anonymous than if the employer knows the applicant's gender.

Overall, significant differences between men and women remain in the Swedish labour market after controlling for gender differences in productive characteristics. Exactly how much of these unexplained differences that can be attributed to employers' discriminatory behaviour, is not yet determined. On the other hand, research has established that the gender pay gap and differences in career probability do not disappear when taking into account women's and men's different choices of education, occupation and experience. Within demarcated domains such as municipal policy and leadership in business, studies have advanced discrimination against women as the main explanation for gender differences.

However, all differences we observe in the Swedish labour market between genders are not the consequences of employers' discriminatory behaviour against women. The analysis here has only included equally productive men and women, i.e. those with the same education, experience and occupation. Many of the differences are due to the fact that men and women choose different educational orientations, different amounts of hours worked, different parental leave withdrawals, i.e. that women's and men's labour market supply differs.

Although additional research is needed to understand the relative importance of supply and demand factors to explain the observed gender differences in the labour market, we know enough to state that further work is needed to promote gender equality in the Swedish labour market. Much speaks for a variety of measures being needed.

In order to curb the gender pay gap between young and equally productive men and women in the same occupation, one policy could be to introduce fixed entry salaries at the occupational level. This would, for example, prevent new graduates of different genders from receiving lower salaries at their first employment due to statistical discrimination by employers. A complementary measure would be to reform the parental leave system so that parental leave is divided equally between parents and cannot be transferred. In addition, the total number of parental leave days would have to decrease. This measure would probably soon lead to

a decrease in the gender pay gap between equally productive individuals.

It is harder to address the gap in wages between men and women within specific managerial occupations. Quotas for women on listed companies' boards could have a positive signalling effect, but probably have no other effects in the short and medium term.