

# Review of: "Monopsony and Gender Wage Discrimination in the Philippines"

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Using pooled data from the Philippine Labor Force Surveys from 2010 to 2018, the paper discusses gender discrimination in the labor market of an emerging economy. In my opinion, the paper offers interesting insights and makes a valuable contribution to the literature. Overall, I very much enjoyed reading the paper. Therefore, I hope that my comments below will be helpful for the further development of the paper.

- a. I think the paper would benefit from clearly stating a research question and developing (gender-specific) expectations regarding the results. I personally got confused about the content of the paper when reading the introduction. My first understanding was that the paper focuses on women's engagement in alternative wage arrangements (AWAs) and the discrimination of the female labor force that results from this engagement. However, this focus is not reflected in the empirical analysis and discussion of the results. Based on my understanding of the introduction I expected to see an analysis of the probability to engage in AWAs for the full sample taking gender as the variable of interest and in the following an analysis of wages by different forms of employment and gender. However, the analysis truly focuses on factors that explain the choice of different forms of employment, wages earned and hours worked and how these factors differ between men and women. Don't get me wrong, I think this is a very interesting analysis, I simply think the focus should be made clear in the introduction to avoid misunderstanding. In this regard, I think you could also state more clearly how you incorporate different forms of employment in your estimation of predicted wages and accordingly labor supply elasticities at the beginning of the paper since this strengthens your contribution.
- b. Related to my first comment, I think your paper makes a relevant contribution and it will benefit from emphasizing this contribution. So far you indicate your contribution to the literature by stating that "This research contributes to the recent interest in the literature on the heterogeneity of workers which leads to discrimination." and "A contribution of this paper is the method for measuring the heterogeneous wages of workers using contract choice." In my opinion, both sentences are rather vague regarding the content of your contribution. In addition, I think part of your contribution is also your focus on an emerging market given that emerging markets are so far understudied by empirical research. I think you should address this contribution more directly.
- c. Throughout the paper, I was eager to learn more about the institutional setting of your study and I think your paper could benefit from providing more information in this regard. So far, the main information is provided on p. 10 which is rather late in the paper and it leaves certain questions unanswered. For example, what is special about the Philippine labor market? To what extent are your results relevant to other markets? Regarding AWAs, I understand that there is no requirement to offer employee benefits such as health care but are these arrangements regulated at all? Are

employee benefits in permanent employment extensive in the Philippines? At several points in the paper, you refer to minimum wages but it remained unclear to me, whether there is any minimum wage requirement determined by the Philippine government. My general understanding was that you refer to observed minimum wages but for example, on p. 14 you state that “Social reforms particularly the increased minimum wages had also improved.” which indicates that minimum wages have been set as part of social reforms by the government. I think this is a crucial institutional factor for your analysis and it should be clarified.

- d. In your analysis, you integrate people who are unemployed, self-employed, or work in other than the local labor market (migrate) into one category. These three options are rather different in my opinion and I am wondering to what extent your results are influenced by including them in one category and by taking this inclusive category as a reference point for the analysis of the choice of labor arrangements (Table 4). I think the paper could benefit from discussing this aspect. In addition, could it be worthwhile to exclude all non-wage reporting survey participants to compare self-selection into AWAs rather than permanent employments between men and women?
- e. Regarding the discussion of the results, particularly those presented in Table 4, I think the paper could benefit from a stronger focus on the economic magnitude of effects since effect sizes differ greatly between men and women.
- f. On p. 17 you state that “Third, working in industrial areas led to higher wage returns for both men and women. This provides some market power to the firms in these regions since workers, especially women, have no incentive to leave these regions.” I understand how you reach this conclusion but I am wondering if, at least in part, higher wages in industrial areas are the result of greater competition among employers for (skilled) employees? In addition, the strong increase in female wages (Table 5) and the decrease in female labor hours with increasing minimum wages in industrial areas (Table 6) could be related to the fact that the higher male income makes it more feasible for married women to stay at home. A related note: On p. 20: “From the results coming from the data...” I probably missed something but I am not sure how the stated conclusion follows from your results. Regarding market concentration, I think the same argument as above can be made. Regarding the “other concerns of women”, it remains unclear to me how you conclude that women value household work or proximity to the workplace to a greater extent than men. Both seem logical and convincing, but as far as I read your paper you cannot distinguish concrete preferences so these are merely suggestive reasons. Therefore, I suggest rephrasing the respective paragraph.

My last two comments concern very minor issues.

- g. Sometimes I had difficulties following your argumentation. This is no doubt related to my personal shortcomings but may also apply to other readers. Therefore, I hope that my following questions may provide valuable suggestions to improve the clarity of the paper.
- Abstract: „Women tended to be less mobile in shifting to labor market arrangements, ...”

I do not understand this sentence. What are the labor market arrangements that you are referring to? How does this conclusion follow from your empirical results?

- P.2: "...Card, et al. (2018) point out the presence of idiosyncratic tastes among workers for amenities (such as working conditions, the length of commute, or in the case of women, the proximity of workplaces to the house)..."

How do you get to the distinction that the length of commute matters to both men and women but that proximity of workplace to the house only matters to women? Again, I most likely missed something but I could not find similar arguments in Card et al. (2018).

- P. 2: "The evidence presented here indicates that the heterogeneity in the activities of women has made women less mobile in handling shifts in the labor market, resulting in a lower wage elasticity in the supply of female labor compared to the males."

What does "heterogeneity in the activities of women" mean here? Does it refer to a greater share of household work? What are the "shifts in the labor market"? Does it refer to the exogenous shocks introduced by "movements in trade and foreign investments" as referred to on p. 8?

- P. 8: "Men are presumed to respond better to these signals because women are more constrained by domestic activities and less motivated by average wages (Manning, 2003)."

What exactly do you mean by "respond better"? Does this refer to stronger reactions?

- P. 9: "Thus, variations of gender discrimination can be found within the context of market fluctuations. Incorporating these aggregate variables which affect wages can then control for other possible sources of discrimination that can influence hours of work."

I do not understand this argument. What are "other sources of discrimination" in this context? Does this refer to variations in gender discrimination due to market fluctuations, that is changes in the market power of the employer, in contrast to gender discrimination due to employer prejudices?

- P. 9: "K is a measure of capital formation in the economy, such as gross capital formation. The rest of the variables,  $t$  and  $Z_{jt}$ , are similar to the variables used in (10). ..."

I am not sure how K is constructed in your analysis and what "similar" means here. In general, I would suggest providing exact information on variable measurement in the appendix.

- Throughout the paper, you use various terms when referring to AWAs (e.g., alternative wage arrangements, alternative work arrangements, or alternative arrangements) as well as permanent employment (traditional permanent contracts, traditional contracts, or traditional arrangements). I would suggest sticking to one term for each type of employment.
- Why do you include "years of schooling" and "years of schooling squared" in the analysis in Table 4 but not in the following estimations in Tables 5 and 6?

h. The paper contains a couple of sentences where phrases are repeated or words are missing. This made it sometimes

hard for me to understand the exact meaning. Please see a list of sentences by page below.

- P. 3: "Section III discusses the empirical strategy and variables that will be used to implement the framework. variables that will be used in the analysis. Section III describes the data and the empirical strategy for the estimations to be conducted. Section IV describes the data..."
- P. 8: "and S1imt are the self-selection variable that is derived from the probability of choosing the respectively"; "An interactive term between the industrial dummy and year to control time-varying changes in estimating the impact of the industry."; "For the final step, calculations in equation (11), each worker will be provided a predicted wage that is based on the and that can be used in to estimate labor supply."; "Using pooled data, the equation for labor hours supply will be estimated separately for males and females."
- P. 9: "The definition of AWAs incorporates much but not all the informal sectors."
- P. 16: "...the diminished marginal of capital can result in a diminished value of female labor..."; "Table 5 presents the results of the wage model discussed in the previous section. The following results are important. The following results are important."
- P. 17: "However, over time, this wage premium diminishes with a greater over time for women."
- P. 20: "The paper then presents some strong evidence that monopsonistic power in the labor market for both men and women and has shown also that gender discrimination both at the level of hours worked and wages."; "Among these plans can include training and other forms of human capital formation that should be unhindered by political and gender conflict ..."; "Fourth, in these proposals for gender equality, the demands of women who are not able to participate in the labor market are because of the discriminatory effects arising from labor market regulations."