

The Impact of a Business Cycle Shock on the Gender Wage Gap: Evidence from Switzerland *

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Abstract

We provide first estimates for the impact of an exogenous business cycle shock on the unexplained gender wage gap. Using detailed labour market data for Switzerland, we exploit the unanticipated appreciation of the Swiss Franc in January 2015 (“Swiss Franc Shock”) as an exogenous shock with heterogeneous impacts on firms, depending on their relative trade exposure. The semi-parametric identification strategy ensures covariate balance and reduces potential bias compared to estimates using the standard parametric methods in the gender wage gap literature. We identify a wider unexplained gender wage gap for sectors with relatively negative trade exposure and a smaller gap for relatively positively exposed sectors. Our results suggest that the negative effects are driven in part by the laying off of so-called “replaceable” workers.

Keywords: Gender Wage Gap, Business Cycles, Natural Experiment, Inverse Probability Weighting

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