The Gender Gap:
Micro Sources and Macro Consequences*

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December 14, 2018

Abstract

We investigate the sources of the gender wage gap and its relation to firm heterogeneity. We
document a gender wage gap of 20 log points conditional on education interacted with expe-
rience, state, industry, and occupation among workers in Brazil. Accounting for unobservable
worker and firm heterogeneity, we find that around 46 percent of the residual gender wage
gap is between firms, while the remainder is within firms. We highlight lower labor market
mobility of women relative to men as an important explanatory factor for pay differences both
within and between firms. We develop an equilibrium search model with firm productivity
differences, worker ability differences, gender-specific amenities, and employer taste for dis-
crimination. We use the estimated model to show that gender differences in life-cycle mobility
across employers are a major contributor to the observed gaps and associated with sizable neg-
ative consequences for macr0economic outcomes such as aggregate productivity, employment,
and output.

Keywords: Firm Pay Differences, Worker and Employer Heterogeneity, Linked Employer-Employee Data,
Income Inequality, Misallocation

JEL classification: E24, E25, J16, J31, J71

*I thank John Donaldson, David Dorn, Gita Gopinath, Ben Moll, Andreas Mueller, Emi Nakamura, Jesse Schreger,
Jón Steinsson, Pierre Yared, Steve Zeldes, and seminar participants at Columbia University and University of Vienna
for useful comments. Financial support from the Ewing Marion Kauffman Foundation is gratefully acknowledged. All
errors are my own.

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