

Gender differences in job separation rates and employment stability: New evidence from employer-employee data [☆]

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Abstract

I analyze the job separation process to learn about gender differences in job separation rates and employment stability. An essential finding is that employer-employee data are required to identify gender differences in job separation probabilities because of labor market segregation. Failure to recognize this may potentially lead to statistical discrimination. Three important empirical results are obtained from the analysis. First, women have higher unconditional job separation probabilities. Second, there are no gender differences in job separation probabilities for employees working in similar workplaces. Finally, women's employment stability is relatively low because they are more likely to move from a job and into unemployment or out of the labor force, and less likely to make job-to-job transitions.

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1. Introduction

Employee turnover has been documented to be high in most countries, see [Davis, Haltiwanger and Schuh \(1996\)](#) and [Davis and Haltiwanger \(1999\)](#). Even though it is no surprise that a substantial part of the workforce leaves their workplaces every year, it is not a simple task to pinpoint the employees who are most likely to leave, and the workplaces from which employees are likely to separate. Improved knowledge about the job separation decision is important for employers in order to make workforce adjustments and develop retention policies that impose minimal disruption to the production process. Employees also benefit from this information because it allows them to make informed choices about where to work. More generally, this knowledge will help shape public policy targeting employment stability.

The primary goal of the analysis is to study the job separation process with the purpose of answering two important questions. First, do men and women who experience similar working conditions have different job separation rates? Second, does employment stability differ for men and women? Previous studies of job separation processes have provided some insights into these questions, but data limitations have restricted their focus to information on individuals or workplaces. For instance, studies focusing on the individual component have documented the effects of human capital and demographic variables on the probability that an employee separates from the job ([Blau and Kahn, 1981](#); [Light and Ureta, 1992](#); [Lynch, 1992](#); [Royalty, 1998](#)). Parallel to these studies, [Anderson and Meyer \(1994\)](#) have analyzed how workplace characteristics influence the job separation probability. In this study, I will integrate these two lines of research using a register-based employer-employee data set.

Identification of gender differences in job separation rates is infeasible without simultaneous information about employees and workplaces because of labor market sorting. Sorting takes place when matches between employees and workplaces are non-random, i.e., employees make directed search when looking for a job, and employers are selective in their choice of workforce. The sorting process will naturally lead to a segregated labor market where distinct groups of individuals work in different types of workplaces.¹ Empirically, I find the tendency that women work in smaller low-wage workplaces with relatively high levels of job separations.² In the analysis conducted below, I show that failure to recognize this labor market segregation will lead to biased estimates and incorrect conclusions about gender differences in job separation probabilities, which potentially leads to statistical discrimination. Furthermore, I argue that conventional statistical methods, such as the random-effects or fixed-effects models, are unable to eliminate the bias induced by omitted variables when the labor market is segregated. Instead, consistent estimates can successfully be obtained from employer-employee data.

The focus on gender differences provides a series of important empirical results. First, women have higher unconditional job separation rates than men. Women's separation rates are also estimated to be significantly higher conditional on a large set of individual characteristics. Taking these findings at face value, women will face statistical discrimination in the labor market. This result arises because labor market segregation is ignored. Thus, heterogeneity in job separation rates across workplaces due to differences in workplace characteristics are picked up by individual characteristics leading to biases. A more comprehensive analysis of the employer-

¹ [Macpherson and Hirsch \(1995\)](#) discuss theories hypothesizing about reasons for gender segregation. They point at past and current discrimination as well as differences in preferences as potential explanations. Empirical studies, such as [Gupta \(1993\)](#) and [Padavic \(1992\)](#), provide empirical evidence for these hypotheses. I continue this discussion below.

² This is consistent with recent findings in [Bayard et al. \(2003\)](#).

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