

Flexibility in industrial relations and labor market inequality

Since the seminal contribution of Goldin (2014), the literature on labor market began to focus on how different time endowments affects inequality, mostly in terms of wages. It is possible to distinguish two effects. First, the direct effects, which are related to the non-linear relation between wages and working hours. This relation arises both from higher rewards to working long hours, but also from rewards to working specific hours, i.e. during the night when it is possible to cooperate with overseas partners. An indirect effect of such pattern is that workers will sort into different jobs not only according to their productivity, but also due to their expected time availability. Expecting greater time constraints some workers might sort into occupations that provide lower returns to working long hours, at the expense of lower wages. The provision of flexible work arrangements, then, appears as a way to kill two birds with one stone: it could reduce labor market inequality and at the same time promote a more efficient allocation of resources.

The empirical testing of the role of time flexibility in driving labor market inequality is at the heart of the research proposal. We analyze the problem of time flexibility from different angles. First, from a **life cycle perspective**, we explore whether the demand for flexibility is greater following particular life events. Intuitively, a woman might be more time constrained following childbirth and during the early years of childrearing, and she might have more flexibility thereafter. If concerns over time flexibility are driving gender inequality, then we would expect that form of inequality to be correlated with time constraints. Second, we explore **supply side**, or how firms react to the demand flexible arrangements. We hypothesize not only that firms matters, but also that the presence of female managers can reduce gender inequality due to time constraints. Having experienced similar demands for household work, female managers might place lower penalties on the lack of time flexibility and might be able to provide better work-life arrangements to their employees. Third, we analyze how **legal provisions** affect incentives to develop flexible work arrangements, with a particular focus on tax rates and child benefits. To analyze the role of these provisions, we employ microsimulation approach that focuses on how individuals react to changes in tax system In a second stage of the analysis, we study how differences in supply of flexible work arrangements can help to explain regional variation in inequality in employment and wages between men and women. Fourth, we want to provide an even broader picture by incorporating **social norms** into our analysis. Even though not formally codified, social norms might be equally effective in preventing certain workers (male) from entering into flexible work schemes, even if this would be rational from a household perspective. The verification of the existence and relevance of these norms for individual decisions requires specialized data, that we intend to collect as a part of the research project. Data collection presents additional challenges, as respondents might be unwilling to answer questions concerning social norms, or might even be unconscious of them. As a possible pathway to overcome this difficulty, we propose the use of vignette experiments.

To summarize, we approach the topic of flexible time arrangements in a comprehensive way, that includes not only an analysis at various levels (household, firms, institutions); but also a variety of research methodologies (analysis of large database, collection of individual data and microsimulations). Finally, this analysis is timely, given the ongoing discussion on labor market flexibility. In April 2017, the European Commission proposed an initiative to support work-life balance for working parents and careers to the European Parliament, whose aim is to modernize the legal framework and help to reconcile work and private life. A proper understanding of the relation between the lack of flexible work arrangements and gender inequality is needed to evaluate the benefits of implementing these policies. Similarly, knowledge on prevailing social norms, which are much more resilient to change, informs on the possible limits to these policies.