Essays on Gender Differences in Economic Decision-making

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Abstract
This thesis consists of four self-contained essays in economics.

Are Women Asking for Low Wages? - Individual Wage Bargaining and Gender Wage Differentials. In an empirical analysis using unique data from two surveys of recent graduates (Jusek, 1999 and 2000), striking gender differences in bargaining and resulting outcomes are established. First, women bargain differently from men. Women consistently submit lower wage bids than men do, even when various individual and employer characteristics have been controlled for. Second, individual bargaining affects offered wages, as individuals who bargain receive higher wage offers, on average, than those who do not. Third, women not only receive lower offers on average for a given wage bid, but the difference increases as the wage bids rise. While the relationship displays a convex pattern for men, it is linear for women. Fourth, if bargaining aggressiveness, measured by the wage bid/job-sector wage, is accounted for or, similarly, a proxy for ability signaling, we find that the pay-off for aggressiveness is positive for both men and women, but decreases more for women than for men at the higher values. Finally, a Blinder-Oaxaca wage decomposition reveals that gender differences in bargaining explain approximately a third of the wage gap.

Pension Wealth: Gender, Risk and Portfolio Choices. Earlier literature on gender and risk-taking based on US data has found women to be more conservative investors. The purpose of the present paper is to test empirically whether this holds good, when all background risks are taken into account. I use a unique data on premium pension portfolio choices for 11 000 individuals, eligible in a new public defined-contribution pension system that was initiated in Sweden in 2000, matched with the Swedish Household Survey on Income for 1999. Unlike previous studies, the current data does not suffer from any particular job/occupational selection, and a more refined definition of risk is used. The findings of this paper suggest that almost all individuals chose a fairly aggressive investment strategy with almost the whole portfolio invested in stock funds. As in earlier studies it is also found that women are on average more conservative investors than men. However, a new result is that, after controlling for income, wealth, pension income, share of wealth in risky assets, education and age, the significant gender difference actually appears at the upper end of the risk distribution only. Moreover, it is found that marital status does impact on the investment choice, and in particular that women who are in a cohabiting relationship are less conservative investors than single or married women. For men there is

a negative marital effect on risky investments and no effect from cohabitant status. Finally, the study contributes to the empirical literature on portfolio choice and background risk by confirming earlier findings on education, income and age.

Jeopardy and Gender. This study uses unique data collected from Swedish broadcasts of the television game show *Jeopardy* in order to uncover whether gender differences in financial decision-making are present. The study focuses on contestants' wagering strategies in the final round, when they wager any amount of their pre-final score on a subject area in which a question will be posed. We start by ruling out the existence of empirical best responses for players, as found for the US version of *Jeopardy*. This result is primarily driven by country-specific game differences in the amount of information given to players about their co-players' score levels. Next, we derive a simple model of the wagering decision and show that the wager depends on risk preferences and the probability of answering the final question correctly. The latter is divided into two competence measures, one subjective (own competence) and one objective (the group's competence) probability of answering correctly. Following the theoretical model, we estimate an empirical model of the wagering decision and find that: (i) women are more conservative in their financial decision-making than men; (ii) men tend to aim for the highest possible gain from the game, while women use a more diversified strategy; (iii) women are more responsive in their decision-making to the influence of external factors on the decision, which can be interpreted as not having as much overconfidence in financial decision-making as men possess. These factors combined make women more successful players. Thus the results parallel earlier results on gender and financial trading.

Ethics and Financial Investments. Using a unique set of data on the pension portfolio choices of individuals eligible for a new public, mandatory, defined-contribution pension system in Sweden, this paper analyses the extent to which individuals integrate personal values and societal concerns with economic and financial decision-making. Despite the cost of an ethically guided portfolio arising from the limited diversity, 13 percent chose at least one ethical fund, thus showing themselves willing to forego a return for non-economic values. Several hypotheses on characteristics correlated with the demand for ethical investments are tested in a Tobit model. First, education is significantly and increasingly decisive for ethical investments, supporting the conjecture that education may foster attitudes on ethics or generate knowledge on anticipated societal changes. Second, women have a higher demand for ethical investments, which is consistent with earlier research that found women to be more altruistic. Third, the choice of occupation predicts the demand for ethical investments. Fourth, an active decision to join a group working for a common cause, in the present case a trade union, is a valid predictor of a higher demand for ethical investments. Finally, the idea that income, financial wealth or age should govern ethical investments finds weak support only. Moreover, given a crude measure of social capital, namely high regional association membership rates, social capital does not appear to be correlated with ethically guided investment behavior.