Econ 613 Reading notes
SELECTION, INVESTMENT, AND WOMEN'S RELATIVE WAGES OVERTIME
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The motivation of the paper is to identify whether it is possible that inequality within gender, women's professional achievements, and women's time allocation have a unified economic explanation.

Firstly, the paper used Gronau-Heckman-Roy (GHR) model to illustrate how growing inequality within gender can increase measured wages via a changing selection bias by changing the relative importance of market and nonmarket factors for explaining. The GHR model suggests an explanation, that inequality within gender ought to affect the selection rule and the distribution of human capital investment among women and thereby the composition of the female workforce. This changing composition of the female workforce is at least partly responsible for the closing of the gender gap. More technically, the model says that inequality affects the coefficient on the inverse Mills ratio in a log female wage regression and that the selection bias is the combination of this coefficient and the inverse Mills ratio itself.

Secondly, the Heck man two-step estimator is applied to repeated Current Population Survey (CPS) cross sections, suggesting that selection into the female workforce shifted from negative in the 1970s to positive in the 1990s and that the majority of the apparent narrowing of the gender wage gap reflects changes in female workforce composition.

Thirdly, the paper explains how each of the two selection-correction meth ods has its own assumptions and data requirements, but nonetheless, both come to a common conclusion: although women's wages have grown somewhat much of the relative wage growth for women due to the increased attachment of the ablest women to the labor force.

Next, the paper focuses on how "selection" and "investment" have many common economic implications, and how some of our gender-gap selection corrections might be interpreted as adjustments for women's relative human capital investment, but in either case are consistent with the broader conclusion that much of women's relative wage growth is due to their increased supply of human capital to the labor market.

Finally, the paper uses husbands' wages from the CPS and IQ data taken from the National Longitudinal Survey (NLS) as proxies for women's unobserved skills to provide nonwage evidence that female workforce selection has shifted from negative to positive, or at least has become less negative over time.