

Research Seminar "Quantitative Economics"

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Abstract

Divergent Perceptions, Divergent Pay: Inflation and the Gender Wage Gap (Lovisa Reiche with Nicolò Maffei-Facciolo)

Abstract

How does the gender wage gap respond to inflation? We show that it widens after both supply- and demand-driven inflationary shocks. This widening reflects gender differences in labor market perceptions: women interpret inflation as a signal of deteriorating conditions, while men perceive mild improvement. These divergent beliefs reduce women's willingness to negotiate, slowing their nominal wage growth relative to men's. To formalize this mechanism, we develop a New Keynesian search-and-matching model where workers do not observe the true nature of the shock and women form ambiguity averse beliefs while men are ambiguity loving. The model replicates the observed cyclicalities of the gender wage gap, establishing a novel link between inflation and gender inequality.