

Workplace characteristics and the gender wage gap - European experience

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Using data extracted from 2010 Structure of Earnings Survey we weave together wage inequality that persists between men and women, and the prevalence of sex segregation for a set of nineteen European countries. In contrast to previous studies on the gender wage gap, we primarily focus on the wage gap that arises between male and female employees that are working in the same workplace. We base our analysis on Nopo non-parametric decomposition method, which we apply to each country in our dataset as well as to each firm within each country we analyze. To derive firm specific wage gap we thus take an advantage of a large matched employee-employer dataset we have, and match male and female individuals within each firm and country.

We first report country specific wage gaps and then compare them with gender wage inequality that can be observed at the firm level. Our analysis reveals that among analyzed countries the gender wage gap in unadjusted form, defined as a mean difference of men's and women's wages, is on average twice as large as the gender wage gap calculated at the firm level. This finding shows that the fact that men and women choose different types of workplaces (jobs) explains half of the difference in their average wages. We also find that gender wage gap in adjusted form, which is interpreted as the inequality that does not result from different characteristics of the two compared groups, is reduced by more than half, when we compare wages of men and women in the same workplace. Still, however, in the same firm women are paid on average by 3% to 14% (depending on a country) less than men, even if they have the same level of education, are of the same age, and perform comparable work in terms of occupation as men.

The results indicate that the gender wage gap - both raw and adjusted - is lower in the public sector than in the private enterprises. At the country level, while the adjusted gap in the public sector is around -15% , in the private sector it is -18%. When wages of men and women working in the same workplace are compared, the wage gap for public sector appears to be more than three times lower, indicating that wage inequality in the public sector to a high extent stems from the fact that men and women choose to work in different public institutions. The data show that indeed, women employed in governmental sector tend to sort to institutions in which average wages are relatively lower. These institutions operate mostly in education, human health and social work activities, as well as arts, entertainment and recreation. In contrast, in the private sector, even if we compare wages of men and women within a given firm, the wage gap is still substantial (around -9%). We observe that in private companies the gap tends to decrease when the workplace provides more flexible work schedule as measured by the share of part time workers. Lower wage inequality is also observed in private companies in which employees are not required to work long overtime hours and which are less dominated by men. We thus conclude that in line with Goldin's (2014) argument, gender wage inequality in the workplace is likely to arise as a result of inflexible work arrangements that due to family responsibilities introduce greater burden on women than on men.