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Workplace characteristics and the gender wage gap – the case of 4 CEE countries

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RESEARCH FOCUS AND RESEARCH QUESTIONS

The goal of the paper:

- to examine **how establishments shape the gender wage differentials** in selected post transition European countries

The main research questions:

- What is the role of firms and their characteristics in explaining gender wage inequality?
- Which firm characteristics are relevant and contribute to the gender wage gap?

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RESEARCH RELEVANCE AND MOTIVATION

- Despite substantial changes in OECD labour markets and an improvement in female employment and participation rates, gender differences in pay remain high

- The issue of the gender wage gap continues to attract attention, both by researchers trying to fully understand its roots and development, and by policymakers

- Equal treatment laws demand firms to pay equal wages to men and women, yet there is mounting evidence of firm level gender pay gaps

INSTITUTIONAL SET-UP

We focus on **4 post-transition countries**: PL, HU, CZ, SK

- Relatively low female participation rate, inflexibility (low share of part-time workers), and relatively high share of public sector

- **Transition to a market oriented economy**, with the consequence of many public institutions being privatized

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- **Transition to a market oriented economy**, with the consequence of many public institutions being privatized

- We focus on the **firms' characteristics in terms of the changes that took place following the transition.**

Investigate <u>**how the timining in which the company has been set up affects its policies and consequently gender wage equality.**</u>

RESEARCH CONTRIBUTION

- We analyze **<u>gender wage inequality</u>** by looking at the role of firms' characteristics, and especially their „age".

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- We distinguish between <u>**private and public**</u> institutions.

- We analyze these issues for <u>**4 post-transition countries**</u>, in which firms substantially differ in terms of firm level wage policies due to the relatively recent transition to a market-oriented economy.

THEORETICAL BACKGROUND AND HYPOTHESES

- Start-ups tend to pay lower wages, ceteris paribus. On average, wages in newly founded establishments are 8% lower than in similar incumbent firms (Brixy, Kohaut, Schnabel 2007).
- Firms that have been operating on the labour market for longer tend to pay higher wages (Haltiwange et al. 1999).

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- **New businesses** exhibit greater heterogeneity in earnings and productivity than mature businesses (Haltiwanger et al 2007) → **Greater GWG?**
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- In transition countries, **old firms** started operating before the market changes, and are likely to carry the legacy of the past (lower wage inequalities) →**Lower GWG?**
- **Old firms** have already gained their position in the market, and thus they do not need to compete as much as the new firms → **Greater GWG?**

DATASET AND VARIABLES

DATASET

2010 Structure of Earnings Survey – a large **matched employer-employee** database.

KEY VARIABLES

- Hourly wage – average gross hourly earnings in a given month
- Firm cohort/age – proxied by the maximum tenure of employees (Moriconi et al. 2012)
- Private firms in the oldest cohort (~firms aged 20+) are likely to represent firms that existed before the transition (as public firms) and have been privatized.

DATASET AND VARIABLES: key challenges

- Different sampling procedures in ESES countries (and lack of detailled information documentation here)
- Is it be possible to calculate within firm gender pay gaps?

METHODOLOGY

- OLS wage regression with female dummy reflecting the unexplained GWG
- Individual level controls:
  - Age, education
  - Tenure, part-time status, occupations, co-workers characteristics (unobserved heterogeneity)
- Firm level controls:
  - Firm size
  - Firm age (proxy)
  - NACE sector,
  - Region
- Firm level controls interacted with female dummy → how firm characteristics contribute to GWG

RESULTS: descriptive statistics

	CZ	HU	PL	SK
No of firms	18 046	26 529	17 041	5 799
No of individuals	1 993 625	835 207	681 702	773 860
Average size	110	31	40	133
Distribution of workers across firm cohorts				
Age: 0-3	8%	16%	7%	7%
Age: 3-10	15%	23%	19%	27%
Age: 10-20	25%	24%	30%	37%
Age:>20	52%	37%	44%	28%
% private sector workers	75%	65%	63%	70%

RESULTS: OLS regressions

	CZ	HU	PL	SK
female	-0,186***	-0,142***	-0,180***	-0,213***
Female * f_age0-3	0,168***	0,116***	0,027***	0,087***
Female * f_age 3-10	0,077***	0,054***	0,042***	0,054***
Female *f_age 20+	0,009*	-0,041***	0,029***	-0,017***
Controls: personal (age, education, tenure), job characteristics (occupation, PT,) firm characteristics (size, NACE), firm's age				

RESULTS: OLS regressions, private sector

	CZ	HU	PL	SK
female	-0,189***	-0,161***	-0,199***	-0,210***
Female * f_age0-3	0,180***	0,122***	0,041***	0,082***
Female * f_age 3-10	0,083***	0,059***	0,060***	0,064***
Female *f_age 20+	-0,057***	-0,068***	-0,042***	-0,06***
Controls: personal (age, education, tenure), job characteristics (occupation, PT,) firm characteristics (size, NACE), firm's age				

CONCLUSIONS

- In this paper we analyze the link between firms’ age and the gender pay gap for 4 post-transition EU economies, 20 years after the transition.

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- Gender pay gaps are visibly lower among employees of younger firms, and higher among employees of older firms; the pattern holds strong for all countries

CONCLUSIONS

- In this paper we analyze the link between firms’ age and the gender pay gap for 4 post-transition EU economies, 20 years after the transition.
- Gender pay gaps are visibly lower among employees of younger firms, and higher among employees of older firms; the pattern holds strong for all countries
- Segregation of employees does not seem to explain these cohort differences
- The pattern of GWG – firm’s age link suits the competition explanation of firm level GWGs

NEXT STEPS

- Control better for workers’ tenures and their distribution (as GWG tend to increase with tenures, Chevalier 2004)
- Could there be a selection of workers (women?) into older and new firms?
- Ňopo matching as robustness check?
- Can we calulate within firm gender wage gaps?

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Thank you!

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