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Gender wage gap in the workplace: Does the age of the firm matter?

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Our study looks at how firms shape gender wage differences by examining the association between the firm's age and the gender pay gap.

We use data from the 2010 European Structure of Earnings Survey, which is a large matched employer-employee database provided by the Eurostat. We examine four post-transition Central European countries: Poland, Hungary, the Czech Republic, and Slovakia. Additionally, to investigate whether the links found between the ages of firms and their gender wage gaps are specific to transition countries, we provide a comparative analysis in which we also examine selected Western and Southern European countries.

Our results show that among private sector companies, there was a clear link between the age of a firm and the size of the gender pay gap, and that this pattern was consistent across the CEE countries studied (but not in Western European countries). While newly established private firms displayed the lowest levels of gender wage inequality, the size of the (adjusted) wage gap between men and women increased with the ages of the firms. Our findings are therefore in line with the competition hypothesis; i.e., they suggest that the younger firms were not in a position to pay workers who had similar characteristics differently, and thus could not afford to discriminate. Our results also show that among private firms that had been operating in the market for more than 20 years – i.e., firms that existed before the 1990s as public companies, and that were privatized following the transition – levels of gender wage inequality were the highest. This finding suggests that there is no "legacy of the past" with respect to equal gender pay policies in companies that had been state-owned in a centrally planned economy. This result also contradicts our theory-based expectations that after entering a competitive market, privatized firms faced with higher levels of competition would be prevented from engaging in gender wage discrimination.

Our observation that in the post-transition countries, the largest gender wage gaps are among the oldest companies – that is, the firms that were in existence before the transition – suggests that in a competitive market structure, companies that have a well-established position in the market are less likely than younger firms to adopt equal wage policies, and thus practice a greater degree of gender wage differentiation. The larger gender pay gaps found in older firms in Central Europe likely also reflect these firms' relatively monopsonistic position on the labour market, and the lower levels of labour supply elasticity among their female employees women. Alternatively, the discriminatory gender pay policies in these older establishments may be attributable to a failure among management to fully adapt to changes in gender norms and discriminatory attitudes. These factors appear to be less relevant in European economies without a transition history.

The complete results of our research are published in the article:

Cukrowska-Torzewska, E., Magda, I., (2019). Gender wage gap in the workplace: Does the age of the firm matter? IBS Working Paper 01/2019. http://ibs.org.pl//app/uploads/2019/02/IBS_Working_Paper_01_2019.pdf