Gender Pay Gap Patterns in Domestic and Foreign-Owned Firms

Iga Magda, Katarzyna Sałach

Foreign-owned firms usually offer higher wages than domestic ones. The foreign-ownership wage premia arise due to technology, capital and competition externalities from multinationals and have a direct impact on (large) differences in wages paid by foreign and domestic firms. A natural question arises then: are these foreign-ownership wage premia equally split between men and women? Is the gender wage gap in Poland increased or decreased by FDI inflows? Theory suggests that the gender wage gap should be smaller in foreign-owned firms compared to domestic ones. Yet, the empirical literature usually finds the opposite.

We measure gender wage gap in Poland using data from the survey "Structure of Wages and Salaries by Occupations". We show that the standard methods of assessing the magnitude of gender wage gap, adjusted for the differences in observable characteristics between men and women (i.e. the OLS), provides misleading results. It suggests that the adjusted gender wage gap in foreign-owned firms in Poland is significantly larger than in domestic ones, amounting to 23% and 12% of male wage, respectively. Once we employ a non-parametric method introduced by Ñopo (2008) and capture gender differences between "comparable" men and women, we observe 16.8% wage gap in domestically-owned firms and 18.5% in foreign ones. Gender wage gap is still larger in foreign-owned sector, but the difference is very small in size.

We also show that even though the gender wage gap is present both in private domestic and private foreign-owned firms, there are different reasons behind it. Gender segregation to low-paid occupations matters more in the domestic sector, whereas foreign-owned companies have much larger within-firm differences in earnings.

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

Magda I., Sałach K. (2019). Gender Pay Gap Patterns in Domestic and Foreign-Owned Firms. IBS Working Paper 05/2019. http://ibs.org.pl//app/uploads/2019/06/IBS_Working_Paper_05_2019.pdf