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GENDER WAGE GAP IN THE WORKPLACE: DOES THE AGE OF THE FIRM MATTER?

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1. AIMS AND CONTRIBUTION

- We analyze **within firms'** gender wage gap
- We study the link between a **firm's age and the size of its gender pay gap**
- We formulate two competing expectations:

(1) gender wage gaps will be **larger in newer companies**, because new businesses exhibit greater heterogeneity in earnings and productivity than mature firms (Haltiwanger et al., 2007)

(2) gender wage gaps will be **smaller in newer companies**, because they face greater competitive pressures and *can't* afford discrimination (Becker, 1957).

2. DATA AND METHODOLOGY

- 2010 European Structure of Earnings Survey (Eurostat)
- 4 CEE countries: Czech Republic, Hungary, Poland and Slovakia
- 4 Western EU countries: Spain, Italy, Portugal, Sweden

Spain, Italy, Portugal: Countries that similarly to CEE are characterized by traditional gender division of labor, low overall female employment, and have comparable levels of GDP per capita.

Sweden: Country that differs from the rest of countries that we examine by its more gender equal labour policies and egalitarian attitutudes towards women's and men's social roles.

- The main variable of interest is the **age of the firm,** which we proxy using the maximum tenure of employees in a given firm (Magda et al., 2012). We categorize it into four groups: 0-3 years, 3-10 years, 10-20 years, and older than 20 years.

Older than 20 years: For CEE countries this will include firms that existed before the transition, regardless of whether they remained public or were privatized.

- For each country we model the link between the age of the firm and the gender pay gap using OLS regression with interactions:

$$\ln(w)_i = \alpha_0 + \alpha_1 female_i + \sum_k \alpha_k (female_i * firm\_age\_d_{i,k}) + \boldsymbol{\alpha X} + \boldsymbol{\alpha Z} + \varepsilon_i$$

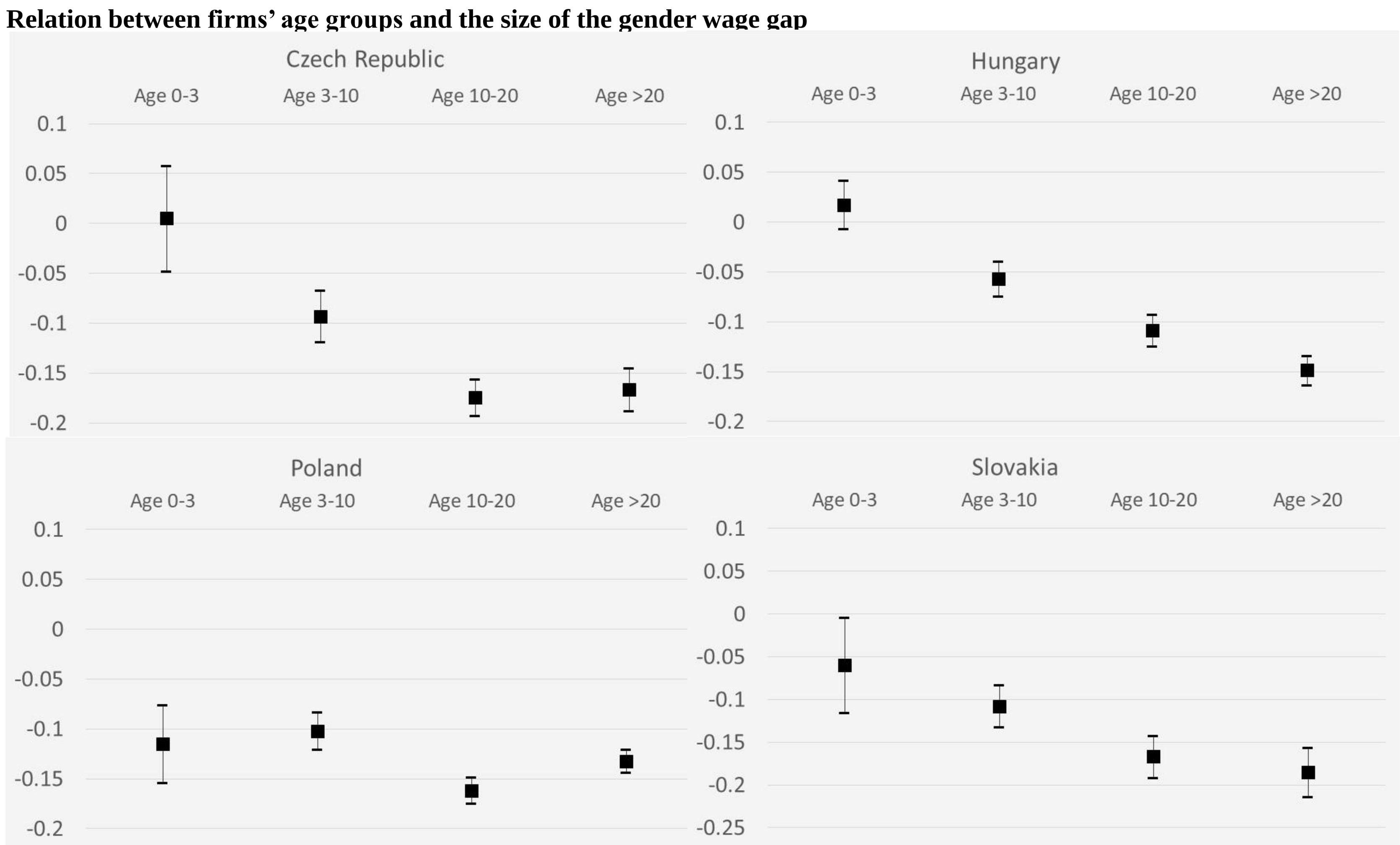
3. RESULTS

OLS results: firms' ages and gender wage gaps in the Czech Republic, Hungary, Poland, and Slovakia

	Czech Republic	Hungary	Poland	Slovakia
Female	-0.175***	-0.109***	-0.162***	-0.167***
Female * age0-3	0.179***	0.126***	0.047**	0.107***
Female * age 3-10	0.081***	0.052***	0.059***	0.059***
Female * age >20	0.008	-0.040***	0.030***	-0.018
N (observations)	1,981,785	835,207	681,702	773,860

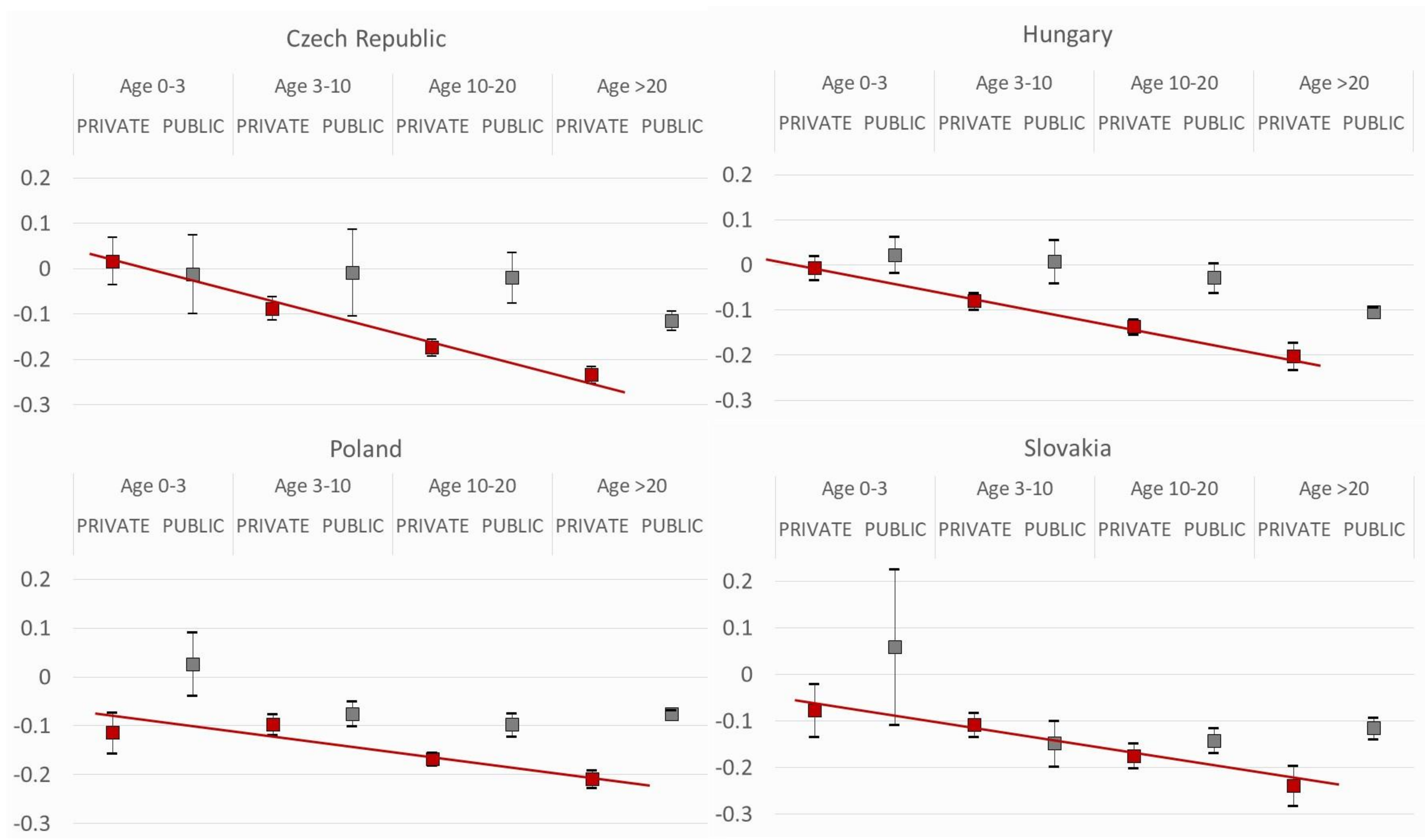
- The average gender wage gaps are big and range from -11% to -17.5%
- There is a relation between the size of the gender wage gap and firms' age: **while lowest gaps are observed in youngest companies, highest gaps are present in older firms**

Relation between firms' age groups and the size of the gender wage gap



3. RESULTS CONT'D

Relation between firms' age groups and the size of the gender wage gap – by sector



The negative relation between the size of the gender wage gap and firms' age (i.e. more negative „higher" gaps when firms are older) in CEE is mostly observed in the private sector

OLS results: firms' age and gender wage gap in selected Western European countries – private sector only

	Spain	Italy	Portugal	Sweden
Female	-0.124***	-0.113***	-0.156***	-0.091***
Female * age0-3	0.050***	0.053**	0.089***	-0.003
Female * age 3-10	0.020*	0.025*	0.024	-0.000
Female * age >20	-0.031***	-0.016	-0.029	-0.014
N (observations)	180,140	198,527	96,930	153,483

- Smaller gender wage gaps than in CEE
- Similarly to CEE in Southern EU countries: women's pay disadvantage is smallest in new companies
- **The relation between the size of the gender wage gap and firms' age seen in CEE is in general not observed in selected Western EU countries.**

4. CONCLUSIONS

- There is a **clear link between the size of the gender wage gap and firms' age** that particularly holds for **private sector companies in CEE countries**
- Smaller gender wage gaps that are observed in youngest **firms confirm the competition hypothesis**
- **Largest gender wage gaps are found in oldest firms, which for CEE countries consists of firms that existed before transition (more than 20 years ago).**
- The larger gender pay gaps found among the oldest firms in the CEE might be attributable to:

(1) **the monopsony theory**, and reflect price ("Robinsonian") discrimination → the labor supply in these firms might be less elastic for women than for men, as the privatized firms were more likely to have remained covered by collective agreements

(2) more intense **discriminatory attitudes** in these firms.

5. REFERENCES

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