

# The Role of Firms in the Gender Wage Gap: Evidence and Policy Perspectives

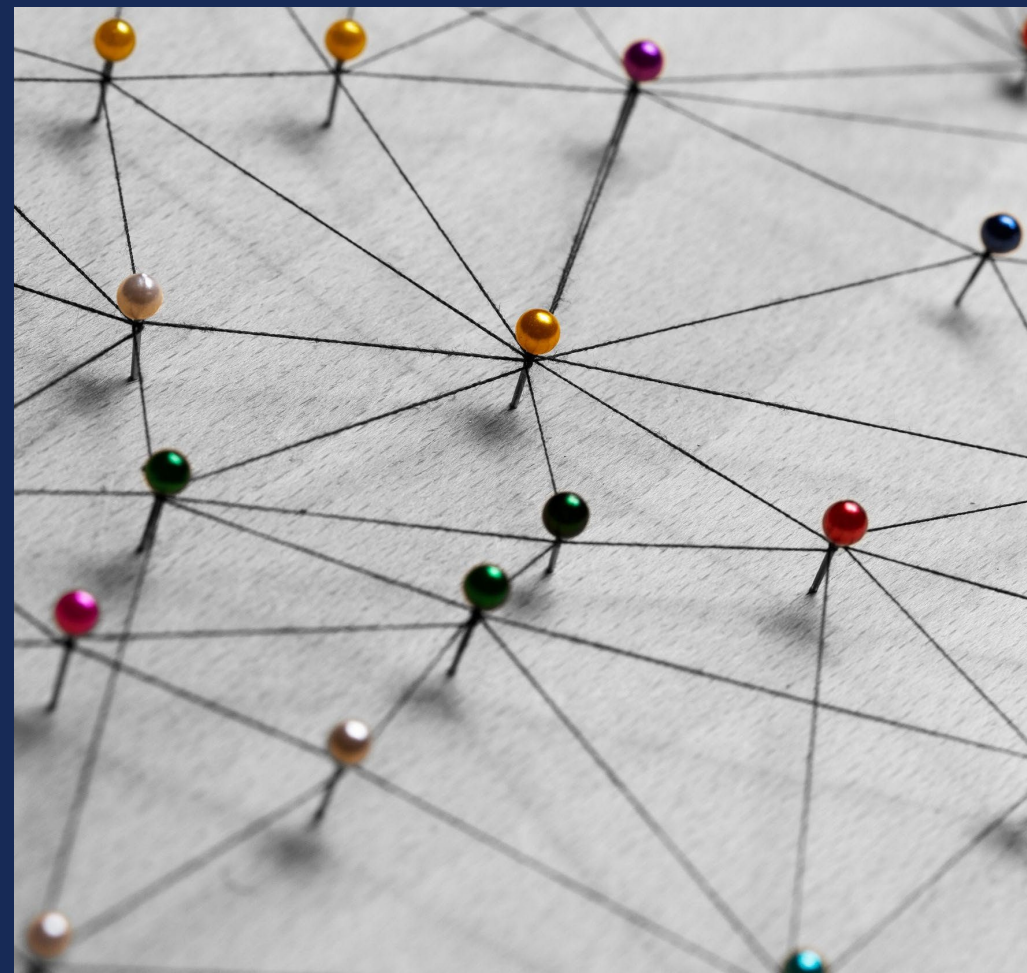
PSE CEPR Policy Forum

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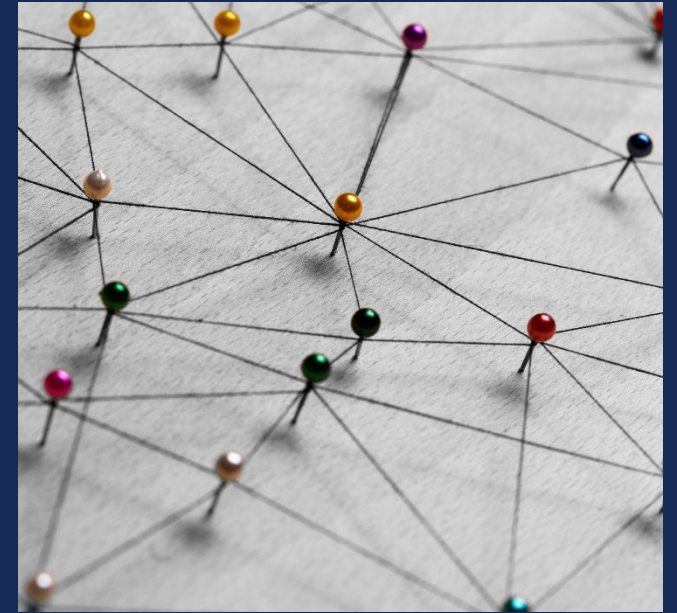


# Outline of talk

- **LinkEED 2.0 – Using linked employer-employer data for cross-country research and policy**
- **The Role of Bargaining and Discrimination in the Gender Wage Gap in France: A Cross-Country Perspective**
- **Reporting Gender Pay Gaps in OECD Countries: Guidance for Pay Transparency Implementation, Monitoring and Reform**

# OECD LinkEED 2.0

<https://www.oecd.org/en/about/projects/linked-200.html>



# Mission: Linked employer-employee data for cross-country research and policy analysis

- Develop a better understanding of the role of policies and institutions in inclusive growth
  - Productivity and structural change
  - Wage-setting and inequality
  - Sorting and mobility
- Build infrastructure for the use of linked employer-employee data in cross-country context
  - Based on distributed microdata approach and network of researchers
  - Mainstream the use of linked employer-employee data at the OECD
  - Build stronger links between policy makers and the academic community

# Agenda: 2023-2027

## Adjusting to structural change



- Job displacement in the green transition (EmO, 2024, WP soon)
- The local consequences of global change (EmO, 2026)

## Gender



- Gender wage gaps within firms and the role of bargaining and discrimination (WP soon)
- Gender wage gaps, family policies and top incomes...

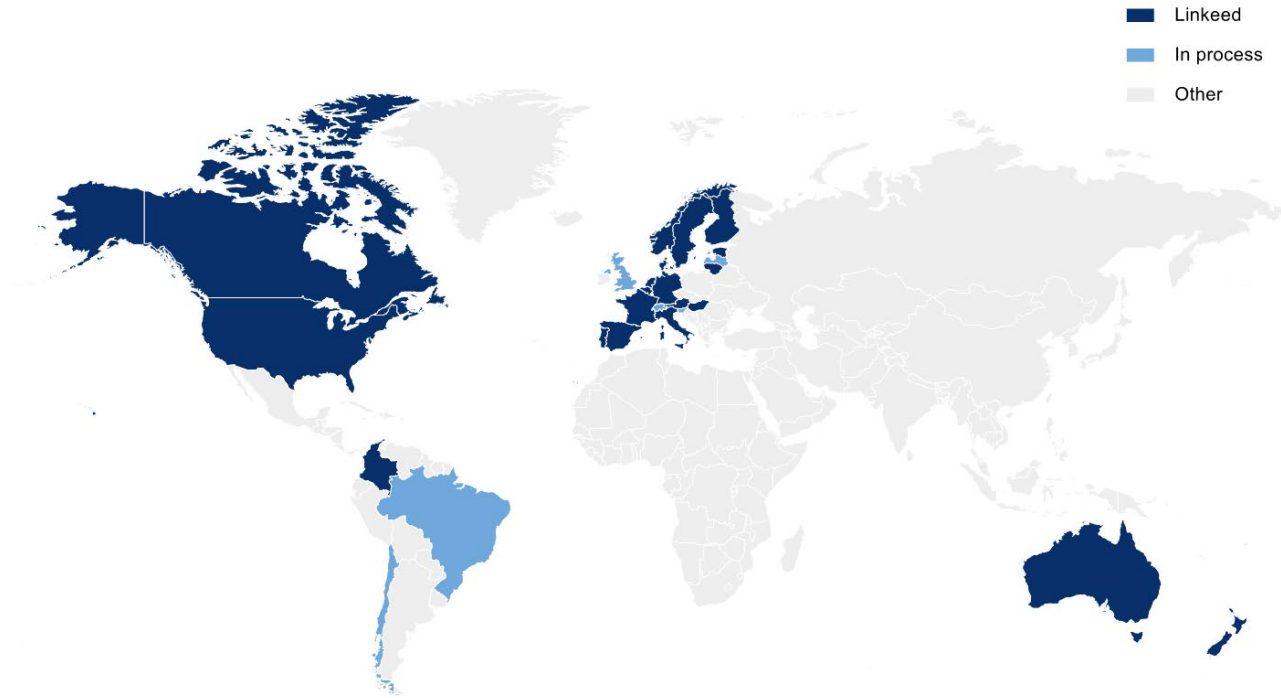
## Migration

- The integration of migrants and the role of firms (IMO, 2025)
- Making immigration work better for migrants and firms

## Productivity

- Job mobility, reallocation and aggregate productivity growth (EmO, 2025)
- Beyond the buzz: The effects of AI on firms and workers

# Network: close to 50 researchers approaching 25 countries

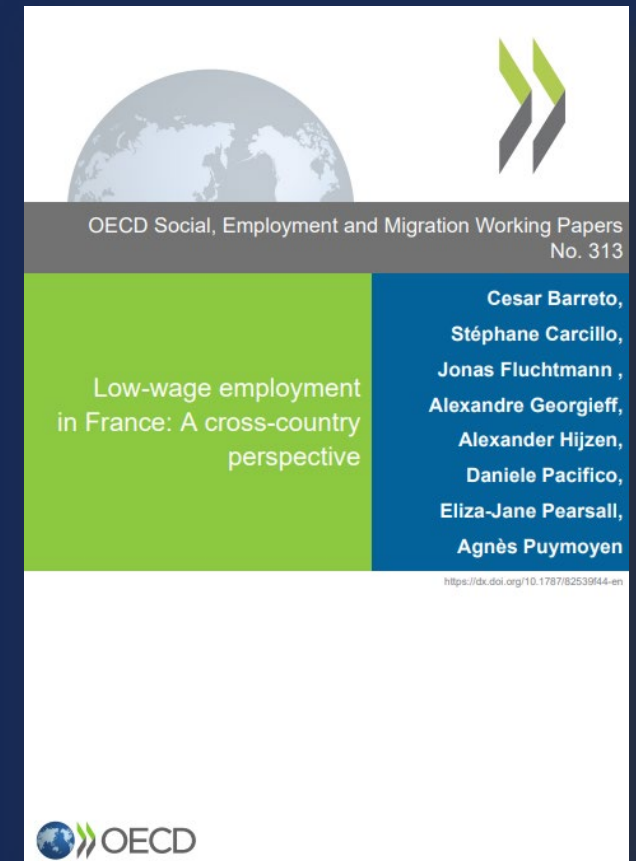


# The role of bargaining and discrimination in the gender wage gap in France

## A cross-country perspective

Marco G. Palladino (Banque de France), Antoine Bertheau (Norwegian School of Economics), Cesar Barreto (OECD & FAU), Dogan Gülümser (Uppsala University), Alexander Hijzen (OECD & IZA), Anne Sophie Lassen (Copenhagen Business School & WZB Berlin), Balázs Muraközy (University of Liverpool) and Oskar Nordström Skans (Uppsala University, IFAU and IZA)

**OECD SEM Working Paper, No. 315**, <https://doi.org/10.1787/1fd68687-en>.



# Background and motivation

## **The gender wage gap remains a stubborn obstacle to gender equality**

- Around 11% on average in the OECD in 2023 (<https://data.oecd.org/earnwage/gender-wage-gap.htm>)
- Mainly reflects gaps within firms rather than between them (OECD, 2021, 2022)

## **Considerable uncertainty about the role of differences in pay for work of equal value within firms**

- Traditional approach focuses on the unexplained wage gap
- More recent approach focuses on systematic differences in firm wage-setting practices between men and women

## **Growing policy interest in the role of employers to reduce within-firm gaps**

- Today 21 OECD countries operate gender pay reporting requirements for firms (OECD, 2021 & 2033; Cullen, 2023)
- Does not address whether gaps are due to differences in roles or pay for work of equal value



# Objectives and approach

## **Provide international comparison with an emphasis on France using linked employer-employee data**

- France has actively tried to tackle the gender wage gap (e.g. *Professional Equality Index* in 2019)
- Benchmark results with respect to several other countries with high quality linked employer-employee data

## **Contribute to understanding of the role of differences in pay for work of equal value within firms**

- Provide comparable results across countries based on a harmonized approach wrt to data cleaning and empirical approach
- Document how differences in pay for work of equal value vary across firms and workers

## **Explore the role of different mechanisms that drive differences in pay for work of equal value**

- Differential *rent-sharing* within firms due to differences in bargaining position or employer discrimination
- Differences in the *scope* for rent-sharing due to the frictions in product and labour markets (Becker, 1957)

# Methodology I – Gender-specific wage premia

Estimate gender-specific AKM models for each country (AKM, 1999; CCK, 2016)

$$w_{it} = \alpha_i + \Psi_{J(i,t)}^{G(i)} + X'_{it} \beta^{G(i)} + \delta_t + r_{it}$$

Gender wage premium gap can be then decomposed into a pay-setting and a sorting component (OBK decomposition):

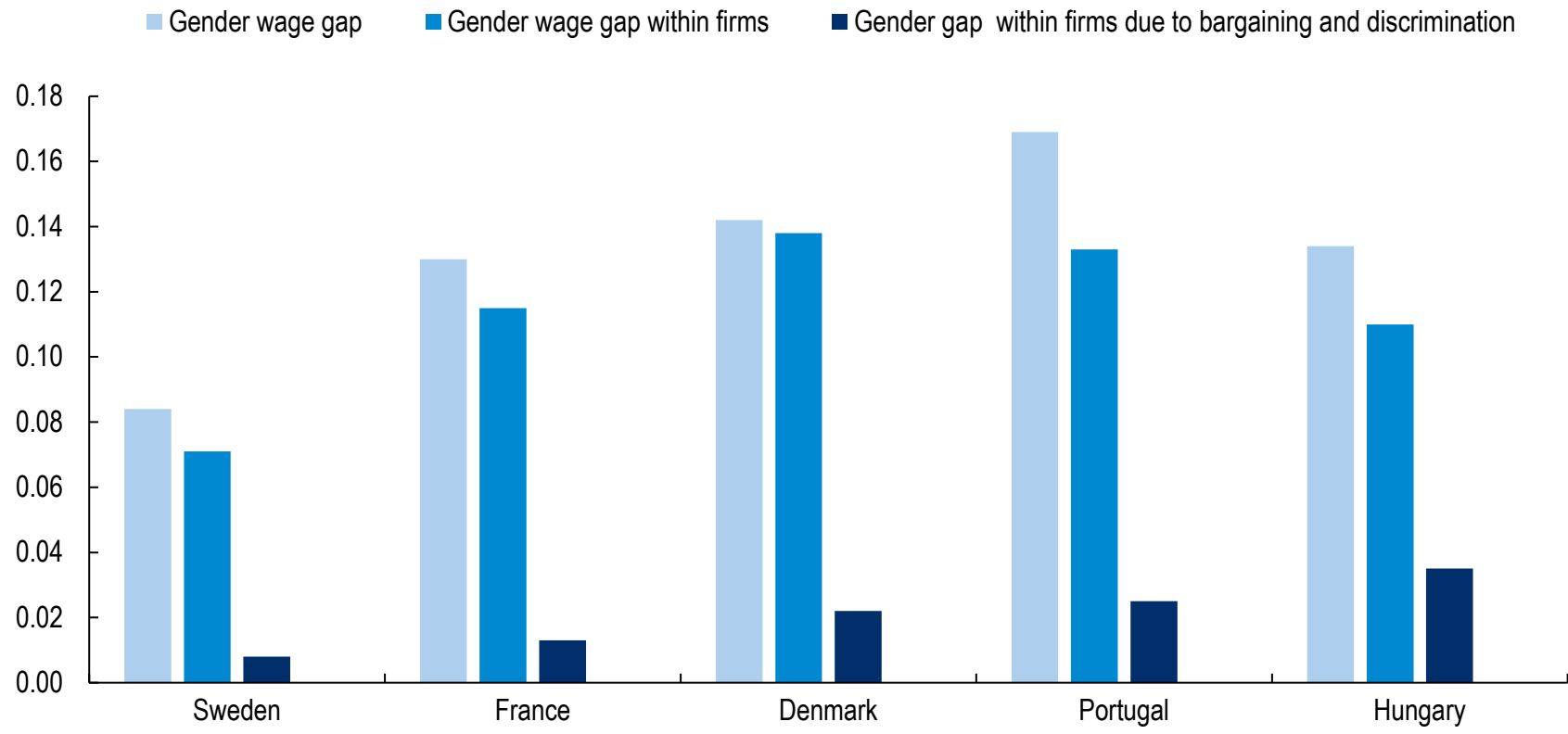
$$E[\Psi_{J(i,t)}^M] - E[\Psi_{J(i,t)}^F] = E[\Psi_{J(i,t)}^M - \Psi_{J(i,t)}^F | g = M] + E[\Psi_{J(i,t)}^F | g = M] - E[\Psi_{J(i,t)}^F | g = F]$$

- **Pay-setting:** the degree to which women receive a different firm-specific premium
- **Sorting:** the degree to which women sort into firms with different wage premiums

# Data

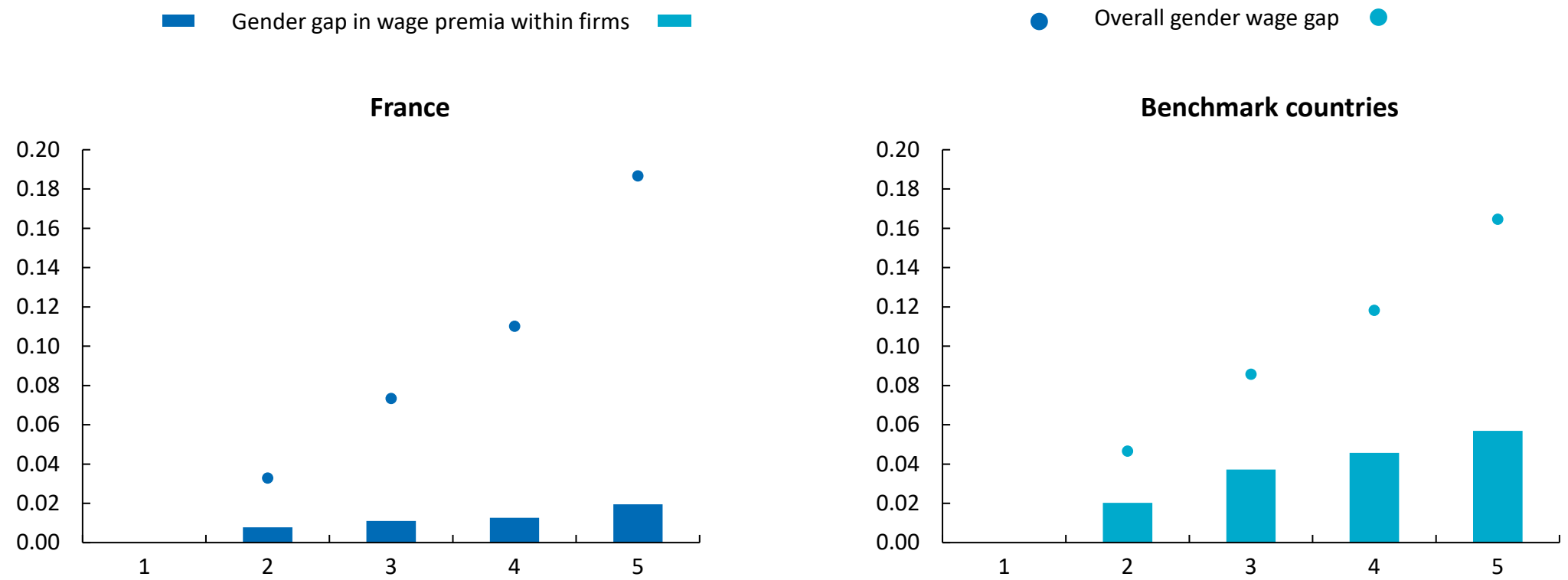
	Name	Earnings data source	Sample structure	Time coverage
<b>Denmark</b>	Integrated Database for Labour Market Research (IDA), IDAN, FIRM	Tax administration combined with register data	Universe	2010-19
<b>France</b>	Déclaration annuelle des données sociales unifiée (DADS) panel linked with FARE/FICUS	Social security administration	Universe	2010-19
<b>Hungary</b>	ADMIN II - Panel of administrative data (OEP, ONYF, NAV, NMH, OH)	Social security administration	50% random sample of workers	2010-17
<b>Portugal</b>	Quadros de Pessoal	Mandatory employer survey	Universe	2010-19
<b>Sweden</b>	Wage structure statistics (SES)	Tax administration	Stratified sample covering 50% of private sector employees	2010-19

# Gender differences in pay for work of equal value tend to be modest



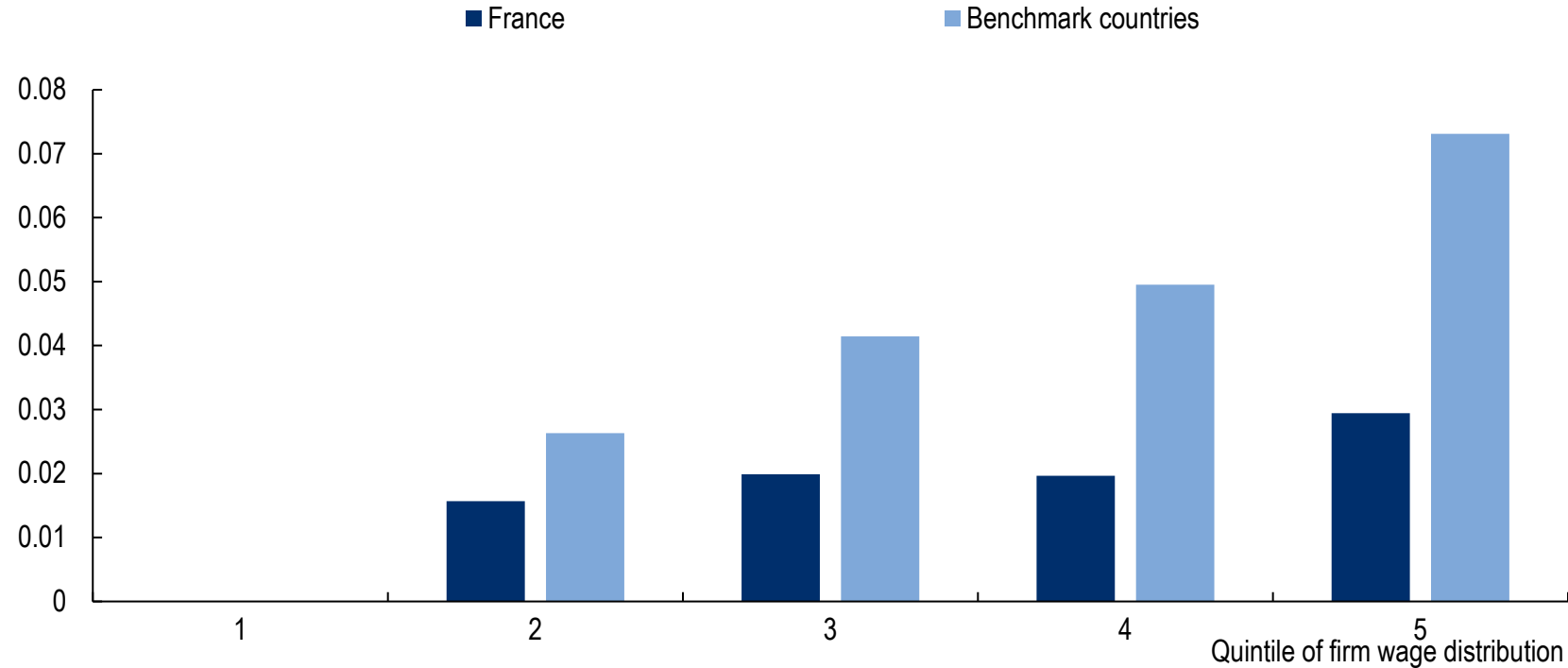
# Bargaining and discrimination is more important for the gender wage gap among high-wage workers

The gender gap in wage premia within firms by quintile of the distribution of worker wages, France and benchmark countries



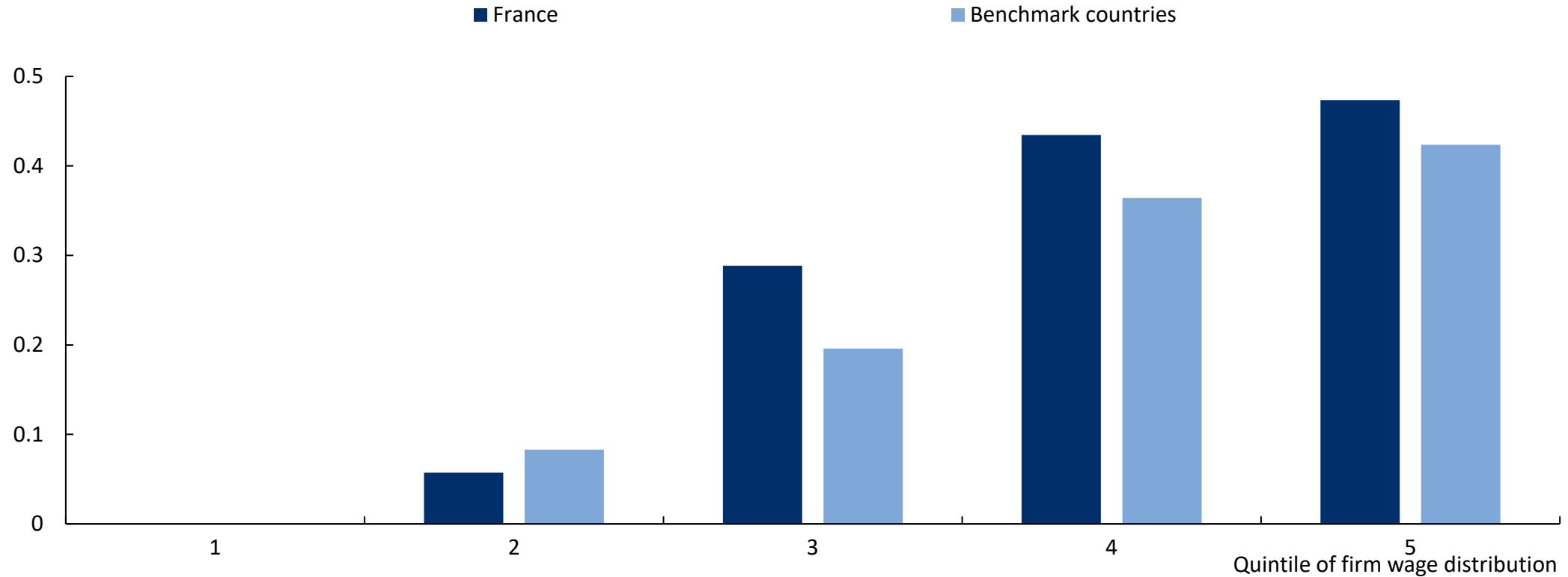
# Differences in pay for work of equal value are more important for workers in high-wage firms

The gender gap in wage premia within firms by quintile of the firm fixed effects distribution for men (relative to the first quintile), France and average across benchmark countries



# Women are concentrated in low-wage firms (skip)

The gender employment gap within firms by quintile of the firm fixed effects distribution for men, France and average across benchmark countries



# Methodology II – Rents versus rent-sharing

Write difference in within-firm gap in wage premia between country A and B as a function of productivity passthrough for men and women:

$$(\bar{w}_{FA}^{\square} - \bar{w}_{MA}^{\square}) - (\bar{w}_{FB}^{\square} - \bar{w}_{MB}^{\square}) = \sum_j (\gamma_{FA}^{\square} - \gamma_{MA}^{\square}) \varphi_{jA} - \sum_j (\gamma_{FB}^{\square} - \gamma_{MB}^{\square}) \varphi_{jB}$$

Rearrange to obtain a component due to differential **rents** and a component due to differential rent-sharing:

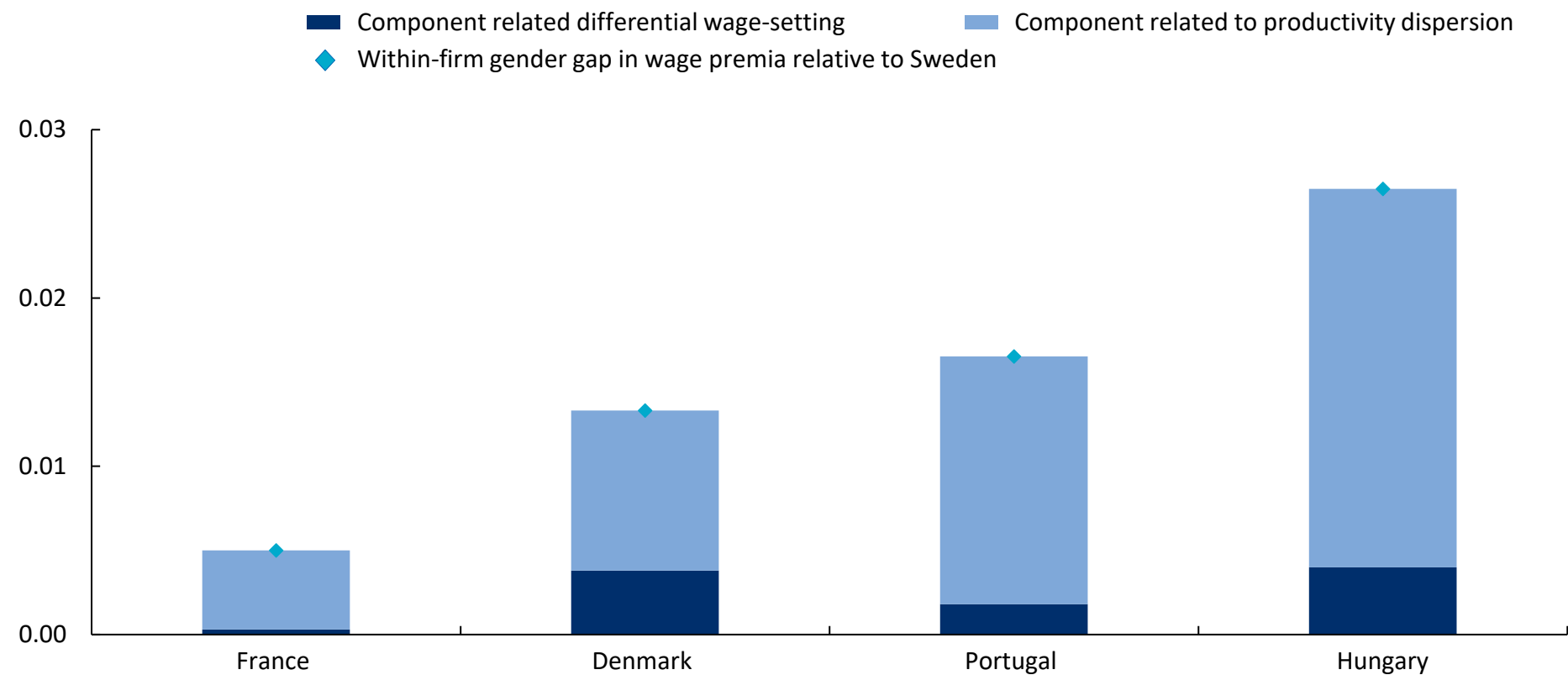
$$(\bar{w}_{FA}^{\square} - \bar{w}_{MA}^{\square}) - (\bar{w}_{FB}^{\square} - \bar{w}_{MB}^{\square}) = \sum_j (\gamma_{FA}^{\square} - \gamma_{MA}^{\square}) (\varphi_{jB} - \varphi_{jA}) - \sum_j [(\gamma_{FA}^{\square} - \gamma_{MA}^{\square}) - (\gamma_{FB}^{\square} - \gamma_{MB}^{\square})] \varphi_{jB}$$



# Firm-level productivity pass-through to wage premia and within-firm gaps in wage premia

	Wage premia (Men)	Wage premia (Men)	Within-firm gap in wage premia	Within-firm gap in wage premia
Denmark	0.0712***	0.0718***	0.0028	0.0095
	-0.0055	-0.045	-0.0057	-0.0043
France	0.0754***	0.0649***	0.0069***	0.0040***
	-0.034	-0.0025	-0.0006	-0.0006
Hungary	0.1840***	0.1619***	0.0262***	0.0219***
	0.0044	-0.0052	-0.0022	-0.0025
Portugal	0.0766***	0.0778***	0.0078***	0.0075***
	-0.005	-0.0028	-0.002	-0.0018
Sweden	0.0361***	0.0236***	0.0074***	0.0057***
	-0.0047	-0.0034	-0.0019	-0.0023
Industries FE		✓		✓

# Cross-country differences reflect both differential rent-sharing and the importance of rents



# Summary

## **The importance of differences in pay for work of equal value varies significantly within and between countries**

- Larger for high-wage workers and high-wage firms
- Rents determine the scope for differential wage-setting within firms

## **No quick fixes to tackle differences in pay for work of equal value**

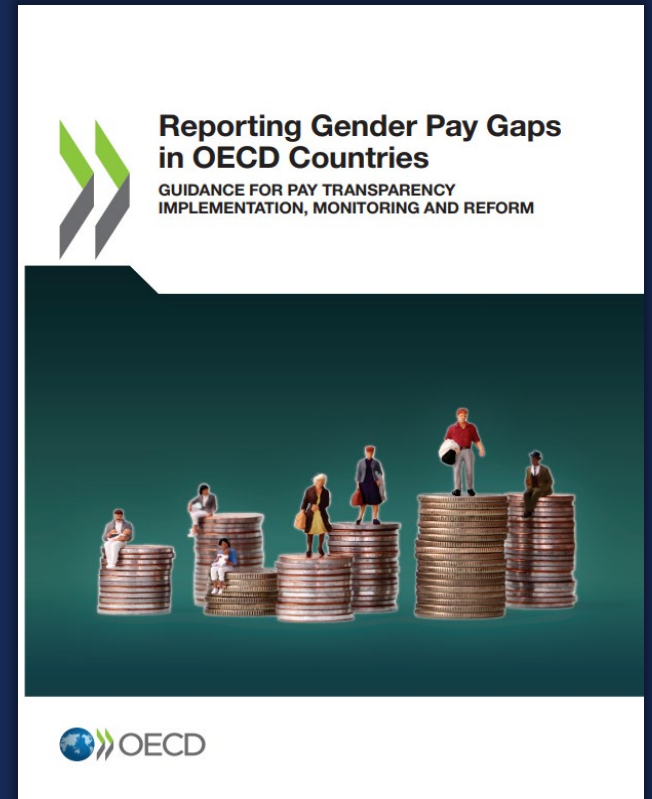
- Policies directed at families and employers
- Policies to promote the functioning of product and labour markets

## **Academic version in progress covering 11 countries, working paper available soon**

- Firms play an important role in the gender wage gaps (between 10-40%)
- Differences in the role of firms help explaining cross-country differences in gender wage gaps

# Reporting Gender Pay Gaps in OECD Countries:

## Guidance for Pay Transparency Implementation, Monitoring and Reform

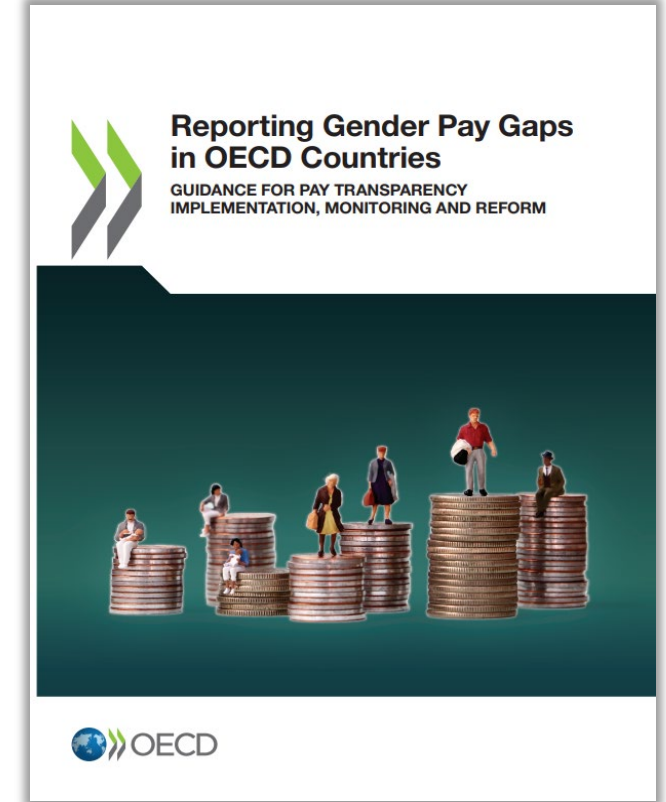


# What is pay transparency ?

**Pay transparency:** Umbrella term for a range of policies that attempt to **share pay information with different stakeholders** to illuminate and help close gender pay gaps

## *Some examples:*

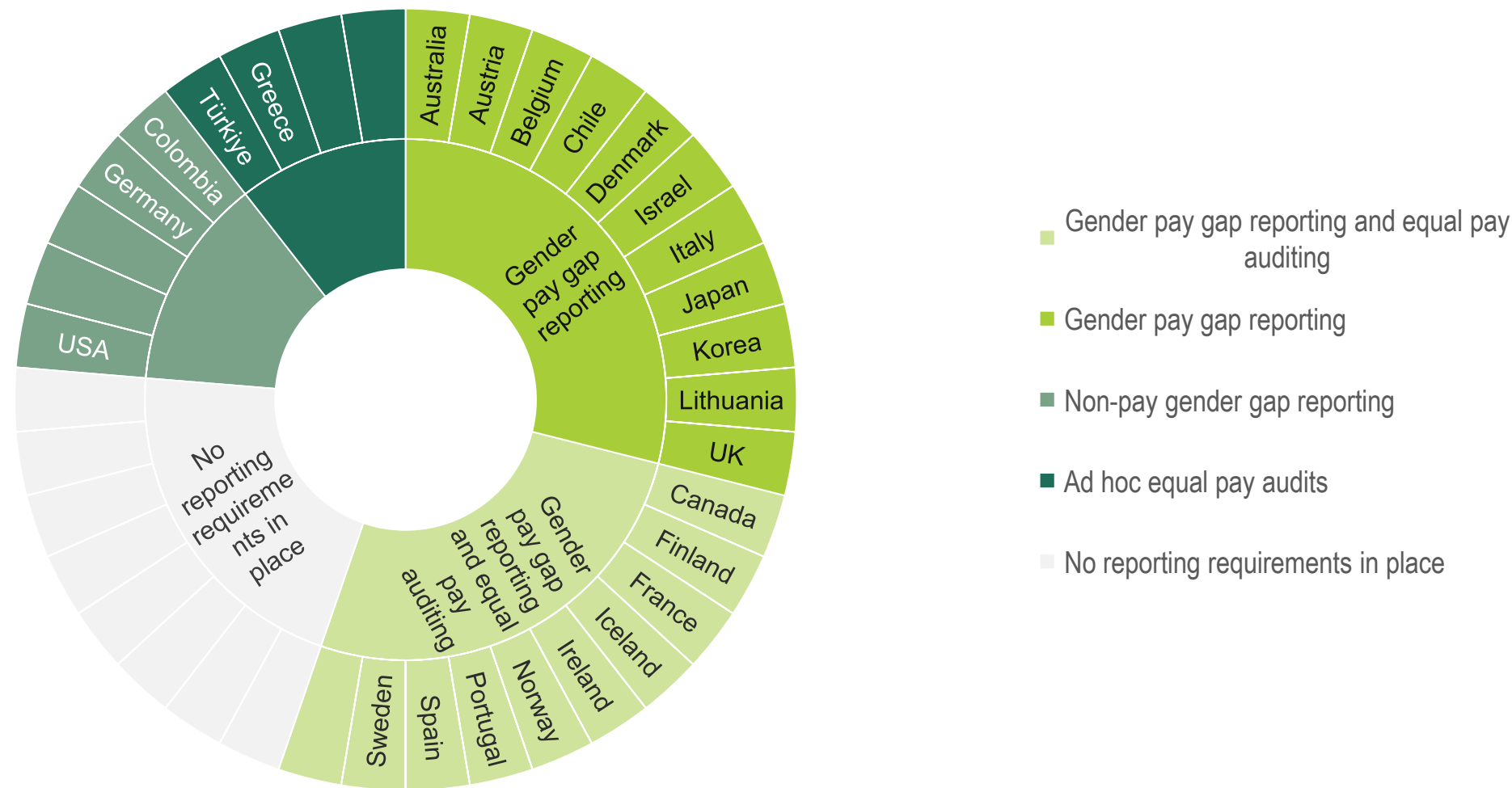
- Private and public sector gender pay gap reporting
- Private and public sector equal pay auditing processes
- Gender-neutral job evaluation and classification systems
- Mandatory consideration of equal pay in collective bargaining
- Mandatory salary disclosure in job advertisements



<https://oe.cd/pay-transparency-2023>

# 55% of OECD countries mandate pay gap reporting in private sector

Regular, mandatory gender pay gap reporting requirements for private sector firms



# What pay transparency can do...

- Help hold employers accountable for their wage gaps
- Give workers and their representatives tools to fight individual or systemic pay inequities
- Raise stakeholder (including public) awareness of the presence, causes and consequences of the gender wage gap

# ... and what it can't.

- The onus of identifying, raising, and rectifying pay inequity still largely rests on individual workers – and this a high burden
- Transparency cannot guarantee that women's wage gains are not compensated for elsewhere, e.g. in lower men's wages
- **Pay transparency cannot correct choices and constraints accumulated over the life course**



# Thank you!

To find out more about our work  
please visit :

[oe.cd/linkfeed](https://oe.cd/linkfeed)

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