The Unequal Impact of Firms on the Gender Wage Gap

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Abstract

We use matched employer-employee datasets for the United States and 10 European countries to analyze the role of firms in the gender wage gap. Five important facts stand out: (1) Firms play a key role in shaping gender wage gaps in all countries as well as differences between them. Gender gaps in firm wage premiums account for 50% of the overall gap in the United States and 10-30% in European countries. (2) There are important differences across countries in the relative importance of gaps in wage premiums within firms, due to gender differences in pay-setting, and between firms, due to the sorting of women in low-wage firms. (3) Cross-country differences in pay-setting are partly explained by the fact that women capture a smaller share of firm-wide productivity gains. They receive up to 15% less of surplus-driven rents than men. (4) Cross-country differences in sorting reflect the degree of wage premium dispersion between firms and gender segregation across firms paying different wages. Sorting is primarily driven by segregation. (5) Women are disproportionately employed in firms with a high prevalence of part-time work. These firms offer lower wage premiums, contributing to the gender wage gap.

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