The Unequal Impact of Firms on the Relative Pay of Women Across Countries

Marco G. Palladino, Antoine Bertheau, Alexander Hijzen, Astrid Kunze, Cesar Barreto, Dogan Gülümser, Marta Lachowska, Anne Sophie Lassen, Stefano Lombardi, Jordy Meekes, Balazs Murakozy, Oskar Skans

March 2024

We use matched employer-employee datasets from the US and Europe to document the contribution of firm-specific pay premiums to the gender wage gap. We exploit longitudinal hourly wage data for all countries and link them to firm financial data for European countries. Our main findings are as follows: (1) The impact of firm-specific wage premia on the gender hourly wage gap varies considerably across countries. It accounts for two-thirds of the hourly gender wage gap in the US but less than one-third in Finland, France, and Sweden. The contribution of firm-specific wage premia in Hungary, Portugal, and Norway is in the middle; (2) The *sorting* (women working in lower-paying firms) and *bargaining* (women earning less in similar firms) components of the firm effects widely differ across countries. The bargaining component is the dominant factor in the US, Hungary and Denmark, countries where a higher share of wages are set at the firm level; (3) Decomposing the firm effects by worker characteristics leads to some similarities across countries. The sorting component increases over the life cycle, while the bargaining component increases over the wage and wage premia distributions; (4) When including public sector jobs, the role of firm effects gap becomes much higher, driven almost exclusively by an increased *sorting* component; (5) The differential productivity pass-through between men and women is the highest in countries where firms have more wage-setting power.

Palladino, Bertheau, Hijzen, and Kunze co-lead this project. The authors would like to thank Stephane Carcillo, and Jonas Fluchtmann for helpful comments and discussions. The views expressed in the paper are those of the authors and should not be attributed to the OECD or their member states. Palladino: Banque de France. Bertheau: NHH. Hijzen: OECD. Kunze: NHH. Barreto: OECD. Gülümser: Uppsala University. Lachowska: W.E. Upjohn Institute for Employment Research. Lassen: Copenhagen Business School. Lombardi: VATT. Meekes: Leiden University. Murakozy: University of Liverpool Management School. Skans: Uppsala. We thank Flavia Mastrangelo for her dedicated and excellent research assistance.