Inter-industry wage differentials and the gender wage gap. Evidence from the ESES for seven EU countries

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The focus of this paper is to examine the interaction between inter-industry wage differentials and the gender wage gap in seven European counties, i.e. Belgium, Denmark, France, Ireland, Italy, Spain and the UK. To do so, we rely on a large *harmonised* matched employer-employee data set, the 1995 *European Structure of Earnings Survey* (ESES). This survey, conducted by Eurostat, covers the establishments whose economic activities fall within sections C to K of the Nace Rev. 1 nomenclature. The survey contains a wealth of information, provided by the management of the establishments, both on the characteristics of the latter (e.g. sector of activity, region, size of the establishment, level of wage bargaining) and on the individuals working there (e.g. education, experience, seniority, earnings, number of working hours paid, gender, occupation).

This paper is divided in three sections. In the first section, we examine the existence and magnitude of inter-industry wage differential for women and men, after controlling for working conditions, individual and firm characteristics. We also explore whether the magnitude and dispersion of these differentials are alike for women and men across European countries. Moreover, by looking at the correlation between male and female industry wage differentials, we investigate whether industries that pay above- or below average wages to men also pay above- or below average wages to women. From a methodological point of view, the inter-industry wage differentials and their dispersion are computed using the Krueger and Summers (1988) methodology. However, the standard errors of these differentials are corrected using the Delta Method proposed by Zanchi (1998).

In the next section of this paper, we firstly, examine whether the results for both sexes support the hypothesis of a negative relation between the dispersion of inter-industry wage differentials and the degree of corporatism. Secondly, we attempt to provide additional insights into the nature of these inter-industry wage differentials by examining their correlation with the industry profitability at the Nace 2-digit level. This allows us to test whether: (i) industry wage differentials derive from the sectoral variation in the ability to pay, (ii) sectoral rents are equally shared with men and women, and (iii) the correlation between industry wage premia and sectoral profits (which we use as a proxy for rent-sharing) is more pronounced in countries where collective bargaining is more decentralised. A priori, we expect a strong correlation between inter-industry wage differentials and sectoral profits (e.g. Benito, 2000). Moreover, we expect rent-haring to be more important for men than women (e.g. Nekby, 2002; Rycx and Tojerow, 2003) and to be lower in corporatist countries (Holmlund and Zetterberg, 1991; Teulings and Hartog, 1998). The data on profitability (i.e. the gross operating surplus per worker) will be drawn from the 1995 *European Structure of Business Survey* (ESBS). It is a harmonised survey that has been conducted by Eurostat.

In the last section of the paper, we firstly examine the magnitude of the wage gap between male and female workers within sectors, across EU countries. To do so, the Horrace and Oaxaca (2001) estimator is computed. In contrast to the estimator developed by Fields and Wolff (1995), it is not susceptible to an identification problem. Secondly, we use the Oaxaca (1973) and Blinder (1973) decomposition technique to determine what proportion of the overall gender wage gap can be attributed to: (i) differences in the distribution of male and female workers across sectors, and (ii) differences by gender in the structure of industry wage premia. To put it differently, the contribution of combined industry effects to the overall gender wage gap is estimated and compared for 7 EU countries.