

## **Revisiting the gender wage gap in an international perspective**

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Using the 1995 Structure of Earning Survey, we analyse international differences in earnings gender pay gap in the private sector for a sample of five European economies: Belgium, Denmark, Ireland, Italy and Spain. We find that policies designed to promote equal opportunities and equal treatment of men and women, wage structure and differences in the distribution of measured characteristics help to explain the pattern of international differences. The innovative feature of our study is the use of different methods of decomposition of the gender earnings gap in order to shed some light on the factors influencing it. We also present the advantages and drawbacks of each method. The use of several decomposition methods allows us to focus on different aspects of the gender wage gap. First of all, the decomposition developed by Oaxaca-Blinder (1973) helps evaluating the role of gender differences in qualifications and of differences in treatment of otherwise equally qualified male and female workers (i.e. labour market discrimination). Moreover, in order to take into account the wage structure, the decomposition of Juhn, Murphy and Pierce (1991) and the adaptation of this technique by Blau and Khan (1992) for international comparisons is considered. We have also studied the role of differences in occupational distributions of men and women on gender differentials. This issue is analysed in the decomposition of Brown, Moon and Zoloth (1980) which, differently from the above-mentioned approaches, treats occupation as an endogenous variable. Finally, we have adapted the decomposition developed by Oaxaca-Blinder (1973) to analyse cross-country differences in gender wage gap. According to the latter decomposition, cross country differences in the gender wage gap are due to five different factors: (1) cross-country differences in gender endowments differential, (2) cross-country differences in returns on the endowments of the reference group, (3) cross-country differences in the endowments of women (4) cross-country differences in gender differential regarding the return on the endowments and (5) cross-country differences in the residual gap. As far as gender-specific policies are concerned, the paper shows that – as members of the European Union – all countries share indeed a common legislative framework relating to equal pay and equal opportunities. Nevertheless with respect to other aspects, most notably the provision of benefits and services for families, the countries display considerable diversity. We have thus turned to the analysis of the relationship between social policies (as public child-care and parental leave) and earnings differentials between men and women. Our results confirm that in countries providing protection, generous leave benefits and public support for child-care, women are encouraged to invest in education and training and so improve their observable productivity characteristics: in Denmark and Belgium, for example, the level of measured characteristics are broadly comparable for men and women. Our findings also confirm that wage structure is an important additional factor influencing the gender pay gap. In this empirical work the prices of labour market skills and the wage setting institutions take this element into account. The fact that a country highly reward labour market skills (measured and unmeasured), generally penalise women due to their average lower level of labour market skills. Moreover, labour market institutions, by affecting overall wage inequalities, have also an effect on gender wage gap. The very dispersed structure of earnings that we typically observe in decentralized wage setting systems, such as in Ireland and in Spain, have hence a negative impact on the pay gap. Gender occupational segregation also plays an important role – although the impact of this variable is different across countries. In Ireland and Spain, and to some extent also in Italy, the latter intensifies the gender pay gaps, whereas in the case of Belgium, the concentration of women in relatively well-paid occupations has a positive effect on the men-women gap.