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The Gender Earnings Gap inside a Russian Firm: First Evidence from Personnel Data – 1997 to 2002

This paper analyzes the size, development and determinants of the gender earnings gap within a large Russian manufacturing firm, using personnel panel data for the years 1997 to 2002. Research on gender earnings differentials in labor markets in transition is part of a more general agenda that focuses on the question of whether the position of women in the labor market has worsened during transition or whether they have benefited from the liberalization of the economic system. Although gender equality was one of the tenets of the Soviet ideology, socialist reality was different. While the labor market participation of women was high in Soviet times and discrimination in pay formally absent, women were predominantly employed in "female" occupations that commanded lower wages. Occupational segregation thus led to the existence of a gender wage gap under socialism, and remained a major source of the gender wage gap in the early years of the Russian transition (Ogloblin 1999).

Economic structures changed dramatically in Russia during the transition from a centrally planned to a market economy. Increased product market competition had a profound impact on developments in the Russian labor market. The transition produced "winners" and "losers." The wage distribution widened severely and the restructuring of many privatized enterprises led to a sharp increase in unemployment and drastically reduced life-long employment opportunities in large firms. Female labor market participation rates fell particularly, not least because of a substantial reduction in child-care facilities and the possibility to specialize in home production as an alternative to market work for the first time in generations. These changes have differing effects on the gender earnings gap. The dramatic widening of the wage distribution tends to increase the earnings gap when women are predominately located in the lower part of the wage distribution. On the other hand, the earnings gap narrows when low-skilled women leave employment on a large scale. Rising returns to education would reinforce a narrowing of the gap when participating women are on average more highly educated than their male counterparts. It therefore remains an empirical question how the gender earnings gap evolves during transition. The handful of studies that estimate gender differentials in the Russian labor market using household data indicate that gender earnings differentials remained at more than 30 percent in the early years of transition (Reilly 1999) and fell considerably thereafter (Kazakova 2007).

This paper contributes in several ways to the literature on gender discrimination in Russia and in transition economies in general. First, the analysis of the gender earnings gap at the firm level complements studies based on household survey data. By establishing that the estimated gender earnings gap at the firm level falls from about 38 percent in 1997 to 18 percent in 2002, the study shows that the gender earnings gap at the firm level is of a similar magnitude and evolves in a similar fashion to the gender gap in the economy on the whole. While the possibility that estimates based on household survey data are in part driven by gender segregation in firms typically cannot be precluded, the estimates based on the data from one firm clearly do not stem from differences in compensation and gender composition between firms.

Second, unobserved differences in worker characteristics are arguably less of a problem when focusing on employees who are employed at the same firm and therefore constitute a relatively homogeneous group of workers compared to the respondents of household surveys who are sampled from various firms. Therefore, personnel data make it possible to assess better whether gender earnings differentials exist even when job assignment is controlled for. The analysis shows that the gender earnings gap is largely driven by job assignment rather than by earnings differentials within a particular job level. In the case of production workers, for example, earnings differentials conditional on the job level are small or non-existent and almost entirely explained by observed characteristics related to productivity. In this context, the study provides gender earnings differentials. For example, the conjecture that women need to pass a higher ability threshold in order to be promoted (Lazear and Rosen 1990) is supported by the finding that women are underrepresented in highly paid jobs.

Third, the study investigates the sources of convergence of women's earnings towards men's earnings levels by assessing various factors that potentially drive changes in gender differentials, such as changes in earnings inequality, changes in the composition of the workforce and changes in the returns to productivity characteristics. The analysis across the entire distributions shows that the reduction in the earnings gap is largely driven by changes in the lower part of the earnings distribution. Gender differences in separation patterns are partially responsible for some narrowing of the gap. The main driving force for the convergence of male and female earnings at firm level, however, is an increase in the rewards for women, which is most pronounced in the lower part of the distribution.