

**SOEP2008 Conference**  
**Regional Effects on the Gender Pay Gap in Germany**

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**Abstract**

Our paper examines the extent to which regional differences account for part of the Gender Pay Gap that is unexplained by human capital and other important structural and individual characteristics. A set of regional indicators is included in wage equations that are estimated for male and female white-collar workers in Germany (based on the German Socio-economic Panel SOEP 2005). Our results indicate that the negative relationship between regional unemployment and wages, the so-called “wage curve”, is stronger for women than for men. Another finding is that, after controlling for education and other important characteristics, men—but not women—have higher wages in big cities than in rural areas. These regional factors lower the “unexplained” part of the Gender Pay Gap by more than 5 percentage points (Oaxaca-Blinder-Decomposition). When regional indicators are included in the wage estimation, approximately 82 percent of the wage differential can be explained by differences in endowments measured by the included explanatory variables. The remaining 18 percent of the Gender Pay Gap includes effects such as differences in non-observed individual characteristics and discrimination structures in the labour market.