

Regional Effects on the Gender Pay Gap in Germany

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Background

- Human capital theory is insufficient to explain the gender pay gap.
- Regional factors (urban/not urban area, regional unemployment) are also important.
- Studies show higher pay for women in urban than in rural areas.
- The "wage curve" indicates a negative correlation between regional unemployment and regional payment structures.
- Regional unemployment is expected to have a stronger negative impact on women's than on men's wages – due to women's limited regional mobility caused by the double burden of market and family work.

Motivation

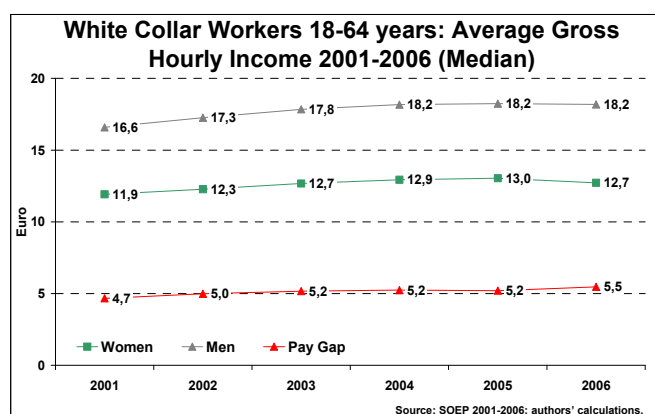
- Is there a different wage curve for women than for men?
- Do women's (and men's) wages gain from "urban culture" when controlling for education and other characteristics?
- Are the regional factors appropriate to explain a relevant part of the gender pay gap (Oaxaca/Blinder-Decomposition)?



Data source
SOEP 2001-2006

Dependent Variable
Gross hourly income (ln)

Results



Determinants of Gross Hourly Income 2005 (OLS-Regression) - White Collar Workers 18-64 years

	Women	Men
Education (years)	0,042***	0,029**
Work experience (years)	0,023***	0,032***
Work experience squared	-0,000***	-0,001***
Amount part-time- on work experience	-0,002***	-0,003***
Job tenure (years)	0,008***	0,007***
Full-time employment (yes=1) ¹	-0,072***	0,040
Marital status (Ref. singles)		
Married living together	0,006	0,053**
In partnership not married	0,031	0,037
Number children in HH (aged <16)	0,025**	0,023**
In leadership position (yes=1)	0,236***	0,273***
Business Sector (Ref. industry)		
Trade, hotels and catering, transport	-0,197***	-0,152***
Other services	-0,081***	-0,003
Size of enterprise (Ref. < 20 employees)		
20 < 200	0,146***	0,162***
200 < 2000	0,195***	0,225***
>= 2000	0,273***	0,269***
Employed in public service (yes=1)	0,081***	-0,024
Regional indicators		
East Germany (yes=1)	-0,172***	-0,250***
Rate of unemployment (ln) (county level)	-0,064**	-0,046
Area type (Ref. Rural region - Rural district)		
Big core city - Agglomeration region	0,008	0,086**
Core city - Agglomeration region	0,013	0,033
Highly urbanized distr.-Agglomeration region	0,023	0,095***
Urbanized distr. - Agglomeration region	-0,076**	0,018
Rural district - agglomeration region	-0,018	0,048
Central city - conurbational region	-0,019	0,034
Urbanized district - conurbational region	-0,040	0,013
Rural district - conurbational region	-0,038	0,011
Constant	1,908***	1,864***
Observations	2889	2063
Adjusted R ²	0,393	0,512
Note: Adjusted R ² without regional indicators	0,355	0,462

¹ Agreed upon work time per week > 35h

Significant at 10%; ** significant at 5%; *** significant at 1%; controlled for imputed income, sample G and no agreement upon work time per week
Source: SOEP, 2005, authors' calculations.

Findings

- Regional unemployment has (c.p.) a stronger negative effect on female wages than on male wages.
- Controlling for education and other characteristics, living in a big city or in a highly urbanized area has a positive significant effect on the wage for men only (c.p.).
- Accounting for regional indicators in the wage estimation reduces the unexplained part of the gender pay gap. The unexplained part includes, e.g., gender differences in the wage curve and discrimination structures in the labor market.

Further Steps

- What are the regional effects on the gender pay gap for different labor market groups?
- Is there a different wage curve for West and East Germany?

Oaxaca/Blinder-Decomposition of the Wage Differential

	Endowments as %	Not explained as %
Without regional indicators	76,98	23,02
With regional indicators	82,12	17,88