

Differing Characteristics or Differing Rewards: What Is Behind The Gender Wage Gap In Croatia?

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Non-Technical Summary

This paper aims at estimating the size of, changes in and main factors contributing to gender-based wage differentials in Croatia. It utilises micro-data from the Labour Force Surveys in 1998 and 2005, and applies quantile regression technique and Machado-Mata counterfactual decomposition method to assess the gender wage gap across the wage distribution.

Our main finding is that women in Croatia face much lower rewards to their human capital characteristics than men. At the same time, employed women possess sizable educational advantage over men and quite low deficit in work experience. Therefore, relatively narrow unadjusted gender wage gap of 12.5% in 2005 hides larger gender disparities.

The gender wage gap of around 19% on average in 2005 was estimated from regressions that include control variables for education and experience. Adding more control variables reduced the gap only modestly, to around 17%. This suggests that large part of the gender wage differences remains unexplained by observed individual, job and employer characteristics. Inclusion of occupation variables in the set of explanatory variables decreased the gap to a certain extent suggesting that occupational segregation might be important in Croatia. The gender wage gap is relatively mild at the lower part of the wage distribution i.e. for low-paid jobs and it is getting larger as one moves towards the top of the distribution i.e. as one approaches well-paid jobs. Although of limited statistical significance, this finding indicates possible presence of a glass-ceiling in Croatia. It also appears that gender wage gap adjusted for the labour market characteristics has increased between 1998 and 2005.

Regression estimates stratified by gender suggest that returns to education and experience are markedly different for men and women. Women face much lower returns and this kind of disparity is getting higher at upper parts of the wage distribution. Decomposition analysis is undertaken in order to determine the part of the gap which results from the difference in returns to observed labour characteristics. It was found that the gap due to differing returns by gender is around 20% on average. This is probably the best measure of women's disadvantaged status since it is conditioned on the exactly the same characteristics for men and women.

This paper also explores the impact of motherhood on women's relative wages in Croatia. It was found that private sector employers provide lower wages to mothers with small children than other women with the same observed labour characteristics. The difference was significant for the relatively well-paid jobs, but not otherwise. In the public sector, there is no clear evidence of different wage treatment between mothers and non-mothers.

Keywords: gender wage gap, glass ceiling, maternity leave, quantile regression