

GDN 9th Regional Research Competition
The Gender Pay Gap in Informal Employment in Poland

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This paper addresses the issue of the gender pay gap in the formal and informal labour markets in Poland. The authors verify the hypothesis of the existence of a gender pay gap in informal work and compare this gap with the one observed in the formal (registered) labour market.

We used a set of cross-sectional data on both formal and informal work in Poland in 2007 to check if the gender pay gap observed in the formal market also occurs when a person works without registration. Various methodological approaches were used: from measures of dispersion to the quantile regression method. Additionally, the issue of selectivity to employment for women was accounted for.

The results indicate a higher level of earnings inequality in the informal economy than in the regulated jobs market. This finding supports the argument of some previous research that suggested a substantial level of heterogeneity among voluntary and involuntary workers engaged in the informal sector.

Furthermore, our results confirm the existence of the gender pay gap in both informal (unregistered) and formal employment in Poland. Various analyses of available data show that size and characteristics of gender pay gap differ depending on the level of earnings. The inequality of earnings among unregistered women and men is more pronounced at the bottom tail of the earnings distribution. In the case of formal employees, inequality at the top of the distribution tends to be larger, confirming the existence of a 'glass ceiling'. A possible explanation of the results is the lack of minimum wage regulations in the informal market and the greater flexibility in agreement on wages in the higher quantiles.

We also found that returns to experience (approximated by the age variable) are higher in informal jobs, but differences in these returns between men and women are significant only at the bottom part of wage distribution. Age in formal employment has the strongest positive impact on female wages at the bottom of earnings distribution, but it is relatively less important than in the informal market. We also identified gender disparity in returns to sectors of activity.

The results from a decomposition of the wage gap into the characteristics and coefficients effect indicate that the gender earnings gap would be even higher if women had men's characteristics.

Keywords: gender pay gap, informal employment, quantile regression