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Wages in a growing Russia: When is a ten percent rise in the gender pay gap good news?*

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While the gender wage gap has been stable or narrowing in many East European countries during the first years of transition, it has been rising in the Russia Federation due to the increase in wage inequality. Women are typically located in the lower portion of the wage distribution so that a widening of the distribution tends to raise the gap between male and female average earnings.

However, since 1998 Russia reported robust economic growth, and this macroeconomic success raised the economic standing of the Russian population. Between November 1998 and October 2000, real per capita income increased by 22% and total income expenditures rose by 18%. The income growth caused a decline in inequality. The incomes of the poorest 20 percent of the population grew by over 30%.

One may expect some reduction in the gap since 1998 coming from the particularly robust growth of wages of the low earners because women are typically located in the lower part of the wage distribution. We therefore analyze Russian wage data from 1996, 1998 and 2000 to evaluate the dynamics of the gender wage gap and its

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components before, during and after the crisis of 1998.

The Russian Labor Market by Gender

While the period 1996 to 2000 was characterized by dramatic economic changes in Russia, the percentage of women currently employed and the female-male difference in employment rates varied relatively little over time. However, in contrast to overall employment, hours worked and other labor market measures, the incidence of wage arrears did change dramatically in our study period and this change has been different across genders. While in 1996 women were in a somewhat better position compared to men, about two

thirds of the employees of both genders were affected by wage arrears. The share of those owed back wages then increased during the crisis; however, the situation dramatically improved by 2000 and there were many fewer women experiencing arrear than men after the crisis. This change may be linked to Putin's presidency. The decrease in the probability to be owed wages appears to be the most significant evolution on the post-crisis Russian labor market and it affects women more favorably than men.

Finally, the trend in the observed female-male average wage gap for those workers who are paid wages is negative: after being stable between 1996 and 1998, the gap rises dramatically: in 1998 average female earnings constituted 72% of the male earnings whereas in 2000 women earned no more than 63%.

Wage Gap Analysis

Our wage regression analysis quantifies the part of the observed raw log-wage gender gap that arises due to gender differences in productive characteristics such as education and experience. The remain-

 Table 1: Russian Labor Market by Gender in 1996–2000^a

	1996			1998			2000		
	Women	Men	Gap	Women	Men	Gap	Women	Men	Gap
% currently working ^b	62	69	7	60	64	5	60	67	7
% owed back wages ^c	59	63	5	63	65	2	27	33	7
Average wages (in thousands of Rubles) ^d	780	1.115	0.70*	0.871	1.213	0.72*	0.878	1.386	0.63*

^a Computed from the RIMS data, Rounds VIII–X, over women aged 16–55 and men aged 16–60

^b The proportion of individuals in working age who worked at the time of interview.

^c Computed for employees who actually worked

^d Wages adjusted for monthly regional CPI.

^{*} female/male average earnings ratio.

Table 2: Percentage wage disadvantage of women¹

Models	1996	1998	2000
Raw gender log-wage gap	-0.27	-0.32	-0.41
Unexplained log-wage gap	-0.33	-0.38	-0.47

¹ The gap is defined as the difference between average logarithm of wages of women and men. It roughly corresponds to a percentage wage disadvantage of women

ing 'unexplained' wage gap may be thought of as providing an upper bound on possible gender discrimination. The dynamics of the raw and 'unexplained' gap is presented in Table 2. There is a striking increase of about 10 percentage points in both the raw and the conditional wage gap between 1998 and 2000.

However, the rise in the gender wage gap can be good news as it might be due to the diminishing incidence of wage arrears. In 2000 many more women than men were paid their wages in full relative to 1998. The women not paid their wages in 1998 return to the wage sample in 2000 and this might have raised the size of the gap as low-

paid workers were more likely to be affected by arrears. We support this hypothesis by re-estimating the wage gap regressions for two sub-samples. Indeed, the wage gap stays stable (i) in regions where the change in wage arrears has been balanced across genders, as well as (ii) for workers who were paid their wages in full in both 1998 and 2000 and were therefore not affected by wage arrears at all. Hence, the increase in the gap is good news.

Policy recommendations

While the recent change in wage arrears was more favorable to women, the under-

lying fundamental Russian gender wage differential remains rather large in international comparison and it has not been reduced by the ongoing economic growth. Potential gender discrimination in wages therefore remains a very important policy issue and policy-makers and the public should acknowledge the problem in its full extent. While the Constitution of the Russian Federation forbids any kind of discrimination, in general, and the discriminatory wage setting, in particular, a more forceful implementation of the existing antidiscrimination legislature in practice may be important for improving the relative position of women on the Russian labor market.

**This policy brief is based on CERGE-EI Working Paper available at www.cerge-ei.cz. The paper provides evidence on the size and sources of the wage gap in Russia during 1996–2000, using the Russian Longitudinal Monitoring Survey (RLMS).*

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