Do gender norms travel within corporations?
The impact of foreign subsidiaries on the home country gender wage gap

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The adverse impact on the gender wage gap that follows globalization have generated concerns both in the policy debate and among scholars. A relatively small but emerging literature have pointed
at flexibility in working hours and gender differences in social
and interpersonal skills as possible explanations. We make a novel contribution to the literature by analyzing the possibility of gender norms to be transferred within firms and across borders by means of foreign direct investments (FDI). Specifically, we focus on Swedish MNEs with subsidiaries in Estonia and analyze how the relative share of workers located in Estonia affects the gender wage gap in their Swedish home country operations. That is, does firms highly integrated in a foreign high wage-gap market also have a high wage gap in their home country operations?

The comparison between Sweden and Estonia is relevant for at least two reasons. First, Sweden exhibits a relatively low gender wage gap of 11.8 percent, while Estonia records the highest gender wage gap in the EU of 21.7 percent. Secondly, during the period of study we record 132 Swedish corporate groups owning subsidiaries in Estonia, this makes Sweden the largest foreign investor in Estonia. Our findings support the hypothesis that Swedish firms with strong intra-firm linkages to Estonia display a relatively large gender wage gap at home. That is, a feedback effect on the gender wage gap from the host to home country. Our results do not, however, provide conclusive evidence on the extent to which the gender wage gap in Swedish MNEs in Estonia is larger compared to other foreign-owned firms in Estonia.