

# The role of firms in the gender wage gap

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Recent research suggests that firm-level factors play a significant role in the gender wage gap. This paper analyses the role of sorting between and bargaining within firms for gender wage gap using the methodology of Card, Cardoso and Kline (2016) and employing linked employer-employee data from Estonia, a country with the highest gender wage gap in EU. We find that firm-level factors explain 40% of the gender wage gap and that the within-firm bargaining plays important role. This latter effect can reflect institutions like low minimum wages and union power. The role of firm-level factors has increased over time and is especially important at the top of the wage distribution and amongst workers that are more skilled. We also find, in contrast to some recent evidence from other countries, that parenthood is not activating the effects of firm-level wage premiums on the gender wage gap. This is likely related to work-family institutions in our sample country, such as job protection of mothers after childbirth and generous availability of formal childcare. The results point to the importance of institutions in the manifestation of firm level factors in the gender wage gap.