

‘The impact of wage structures and wage-setting institutions in wage equality and gender pay differences’

- *A comparative case study of Argentina and Chile* -

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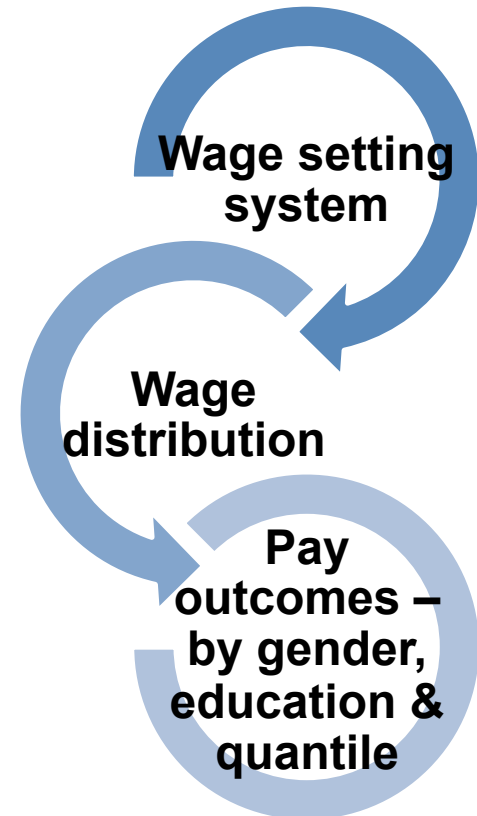
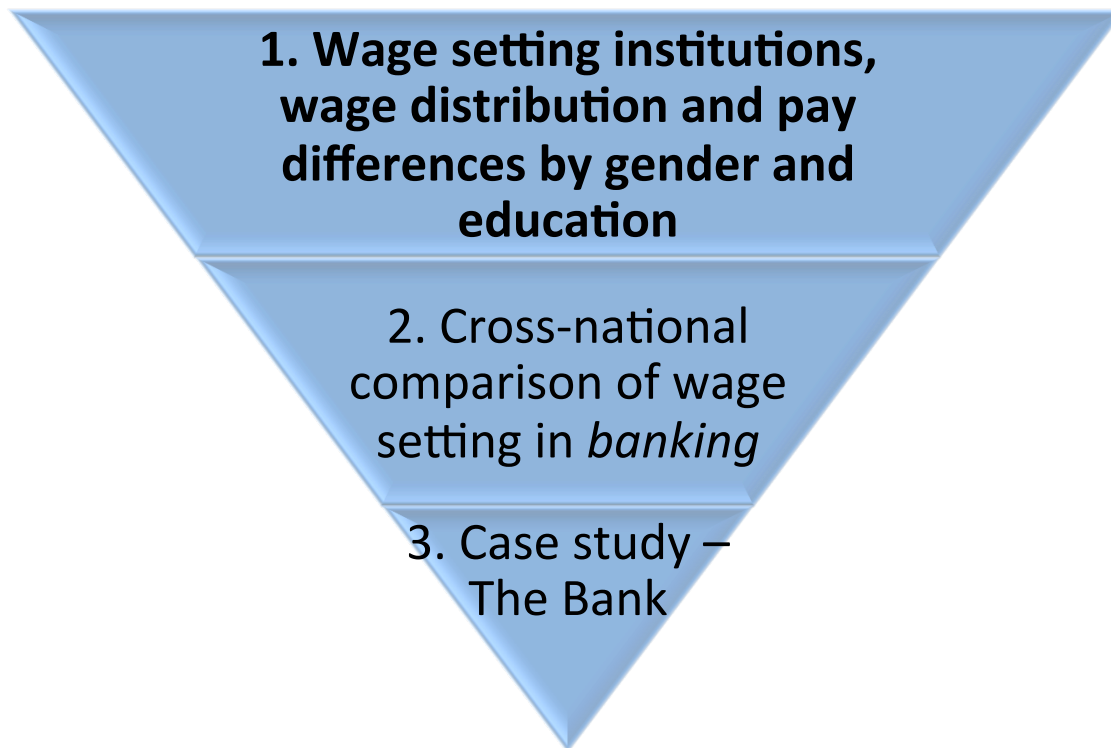
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Overview

- ❑ Research objective
- ❑ Background and the wage setting system
- ❑ Research questions
- ❑ Data sources and methods
- ❑ Results
- ❑ Conclusions

Research objective

- Multi-level and mix-method project, which compares gender differences in wages of two contrasting labour markets and pay systems.



Background

Wage setting institutions influence in gender pay differences.

- ❑ The shape of the wage structure vary depending on the type of wage setting institutions - union density, collective bargaining coverage, degree of coordination and centralisation (Aidt and Tzannatos, 2002; OECD, 1997).
- ❑ High wage floors, together with highly centralised and unionised wage setting raise women's relative wages. Additionally, more compressed male wage structures decrease gender wage differentials (Blau and Kahn, 2003).
- ❑ More class-equal countries are correlated with a smaller GPG (Blau and Khan, 2003; Mandel and Semyonov, 2005).

Background

Wage distribution, gender and skills.

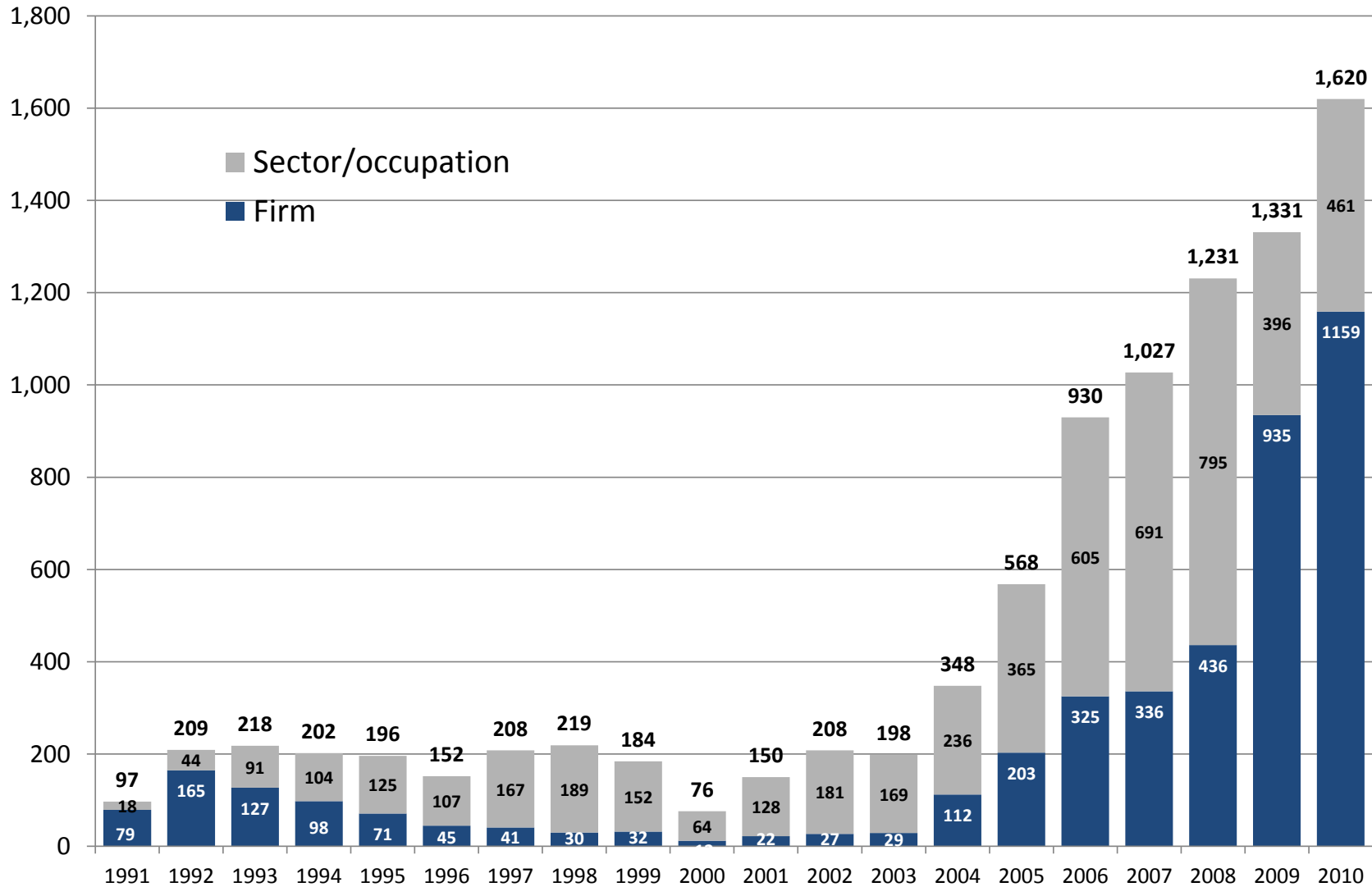
- ❑ Countries with high rewards to skills will tend to have wider earnings differentials (Blau and Kahn, 1992, 1995).
- ❑ Highly-skilled women are better off in a LME than in a CME relative to men. Lower-class women, are better protected in CME countries relative to LME (Mandel and Shalev, 2009).
- ❑ The GPG is usually greater for high-skilled women and smaller for less skilled ones, as the former face more occupational segregation from better paid jobs in the private sector (Mandel and Semyonov, 2006).
- ❑ The GPG should not vary substantially with women's educational attainment in more class-equal societies (Evertsson *et al.* 2009; Mandel and Semyonov 2005, 2006).

The wage setting and industrial relations systems in Argentina & Chile

	Argentina	Chile
Unionisation rate	Medium level (37% in 2008).	Low level (11.9% in 2011). Mainly in large firms.
Coverage	High coverage of collective agreements (85% in 2008).	Low collective bargaining coverage (9.8% in 2011).
Bargaining level	Hybrid : Presence of firm-level unions, but predominance of industry-wide collective bargaining.	Decentralised : Most unions at the firm-level. National unions have low influence in collective bargaining.
Coordination	Coordinated bargaining by peak confederations, including 'government-sponsored' negotiations (tripartite agreements, social pacts).	Fragmented company/plant bargaining, little or no co-ordination by upper-level associations.
Minimum wage	Works as a wage distributive tool, although sector agreements include their own wage floors. High involvement of a tripartite body. High Kaitz index.	Main wage distributive tool. Low participation and incidence from unions and employers' associations. Very high Kaitz index.

Source: some indicators adapted from Marshall, A. (1999). 'Wage determination regimes and pay inequality'.

Collective bargaining agreements and covenants at firm and sector/occupation level in Argentina



Research questions

- ❑ RQ1. What impact do wage setting institutions have on gender pay equity?

Proposition 1: Wage setting systems influence the wage structure and gender pay gap.

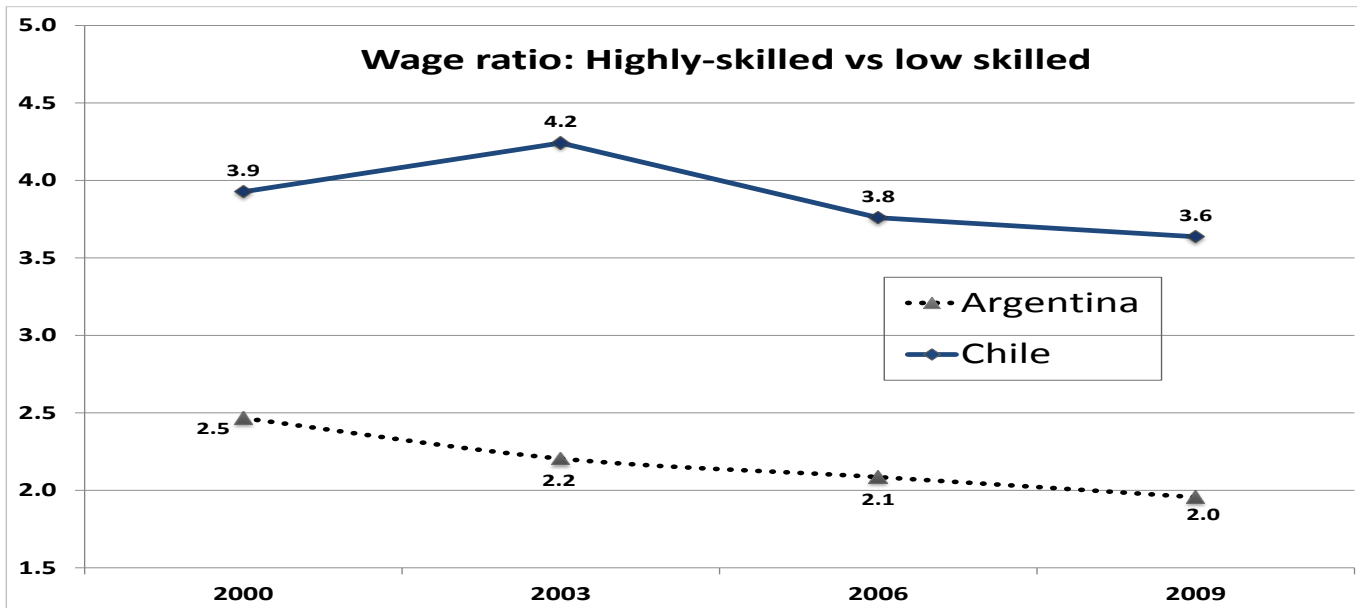
- Higher trade union power and density has a positive relationship to wage equality, meaning lower p90/p10 and p90/p50 values.
 - Higher bargaining coverage rates, and higher degree of coordination and centralisation are associated with a lower gender pay gap.
- ❑ RQ2. What is the relative position of women in the wage structure? How do the institutions shape the variation within the countries? What are main differences between women's wages by skill level in Argentina and Chile?
 - ❑ RQ3. What are the main factors influencing women's wages at different levels of the wage distribution?

Data and methods

- ❑ Household surveys from Argentina and Chile years 2000 to 2009. Aprox. 30,000 eligible observations per year for each country.
- ❑ **Descriptive statistics analysis.** Identify key percentiles across the wage distribution (p10, p50 and p90) and compare different wage ratios to describe how spread is the whole wage distribution (p90/p10) by gender, educational level and across countries.
- ❑ **Quantile regression analysis:** seek the most influencing employment factors and personal characteristics affecting pay, at different levels of the wage distribution. A probit analysis was performed first to correct for selectivity.
 - Dependent variable: **Log hourly wages**
 - Independent variables:
 - ❑ **Human capital:** age, education.
 - ❑ **Family factors:** responsibility for young children and marital status.
 - ❑ **Job characteristics:** firm size, occupation, industry, private or public organisation, working time, permanent or temporary work, job formality.

Rewards to skills

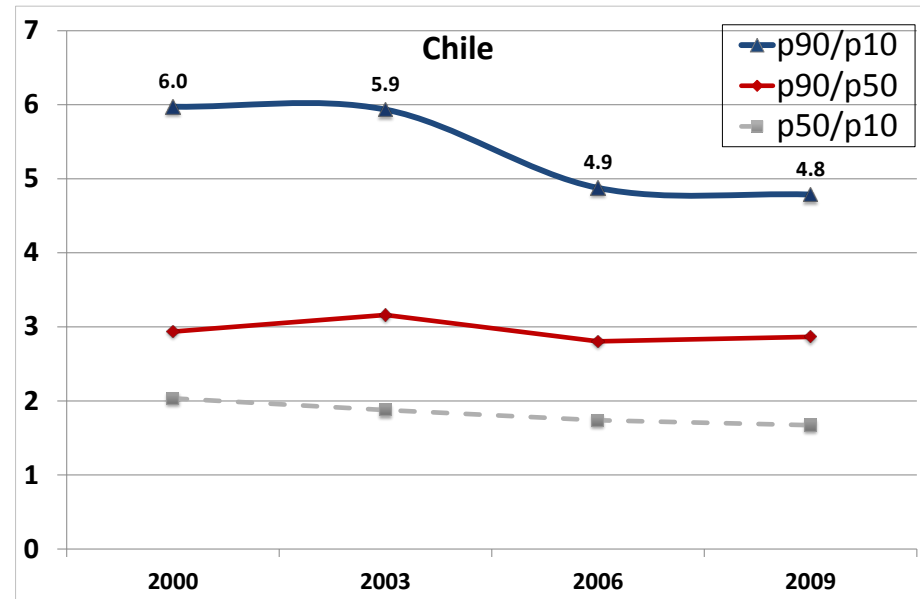
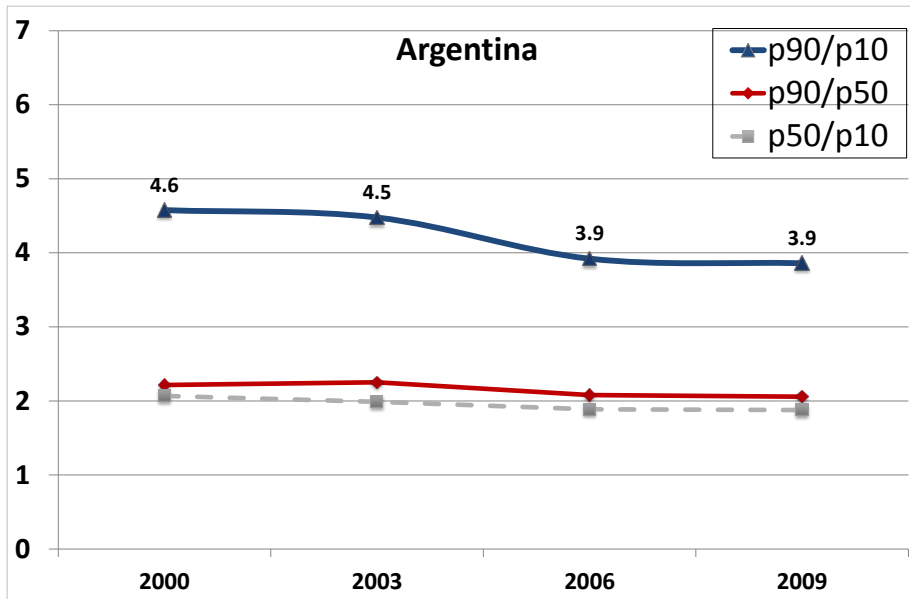
- According to Blau and Kahn, countries with high rewards to skills will tend to have wider earnings differentials.
 - Chile's wage premium of highly-skilled relative to low-skilled is more than 50% higher between 2000 and 2009. Therefore, Chile should have wider earnings differentials than Argentina across the whole period.



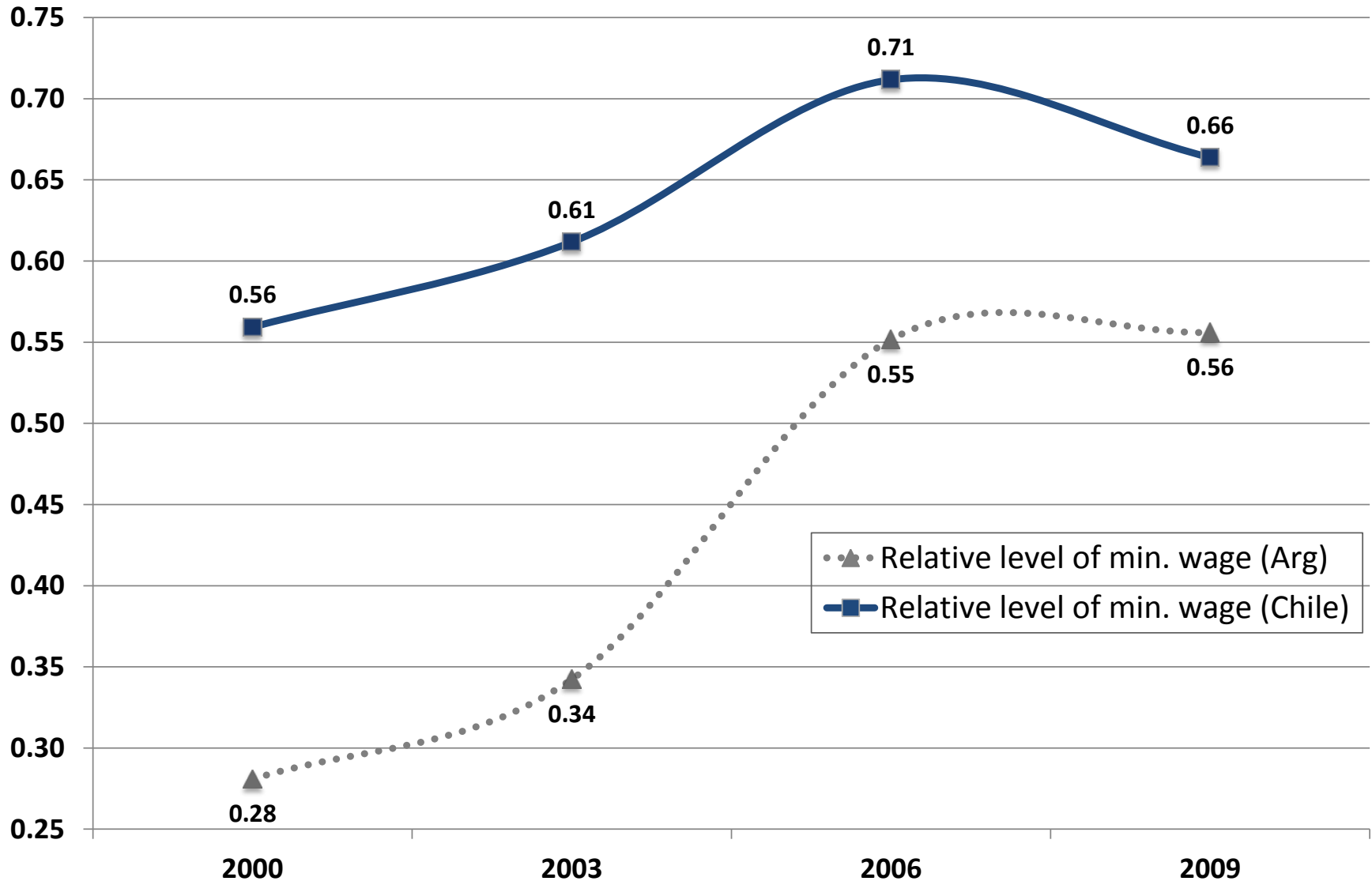
Source: Own calculations from Argentinian and Chilean household surveys, according to our sample population.

Higher trade union power and density has a positive relationship with wage equality

- The solidaristic wage setting approach of Argentina has proven to be effective in compressing the wage distribution over the last ten years (Lower p90/p10), although the decreasing trend of both nations is similar. Regardless of the differences in wage setting institutions, the minimum wage institution has been equally effective to achieve a similar distributional outcome.
- The shape of the earnings distribution in Argentina shows, that the highest and lowest deciles are equally distributed relative to the median. Top earners enjoy of a more favourable wage premium in Chile relative to the median.

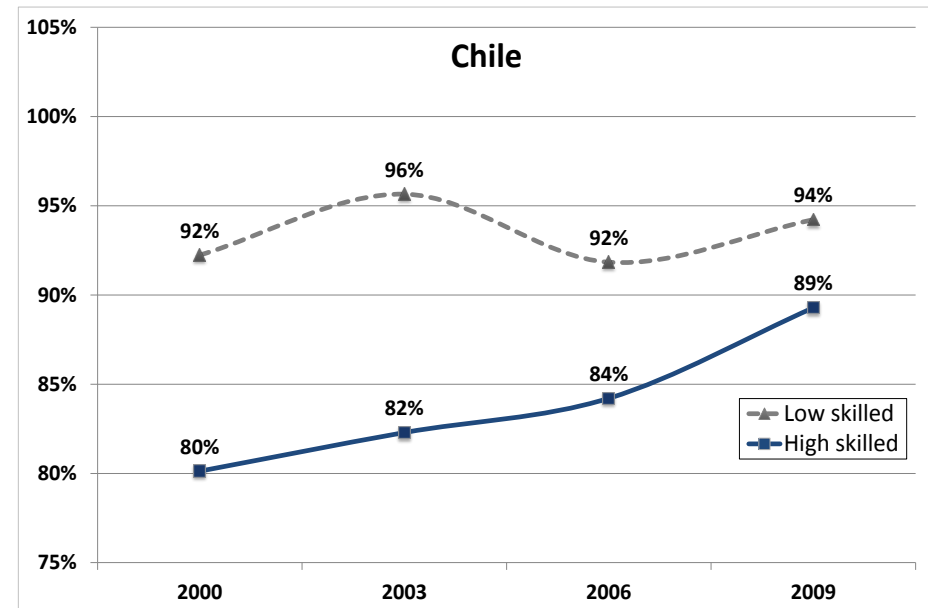
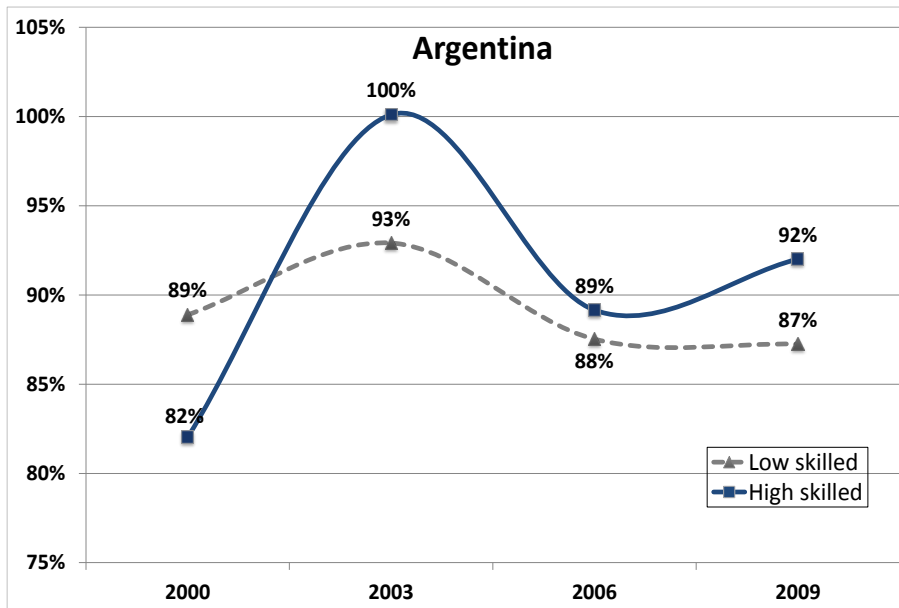


Kaitz index relative to median earnings - Argentina and Chile from 2000 to 2009



Influence of coverage, coordination and centralisation over GPG by skill level

- The GPG is usually greater for highly-skilled women, as they face more occupational segregation from better paid jobs in the private sector. Additionally, the GPG should not vary substantially with women's educational attainment in more class-equal societies (Evertsson, Mandel & Semyonov).
- The GPG patterns by educational level show that the above argument is correct in Chile. However, the argument does not totally hold for Argentina, as between 2003 and 2009 the GPG is greater for low skilled women than for highly-skilled ones.



Quantile regression results

- ❑ Low skilled women have a comparative advantage (Wage premium) in more class-equal societies, like the Argentinian one.
- ❑ The literature suggests that highly educated women enjoy an advantage relative to men in a LME such as Chile. However, this assumption was not confirmed by our results, given that for this group, the GPG is wider in Chile than in Argentina.
- ❑ When comparing the GPG between educational groups, the regression results showed, that men in Chile get a better premium than women across the median and high percentiles. Whereas highly-skilled women in Argentina get a better wage premium than men across the whole distribution. This result may indicate that the individuality of wage setting, especially in the higher paid jobs of the Chilean labour market may be discriminating women, relative to men for similar demographic and human capital characteristics.

Quantile regression results

- Other characteristics that report a similar degree of convergence between both markets are occupational categories, industries, working time and family related characteristics. Although there are some variations in the weight of the wage premium or penalty affecting women along the wage distribution. For instance, Argentinian women working in the public sector enjoy a wage premium relative to men and also compared to Chilean women.

Conclusions

- ❑ Importance of the corporatist Argentinean wage setting system, in influencing wage equality and narrower gender pay differences relative to Chile. Nevertheless, national minimum wage in the Chilean neoliberal system has made a positive influence towards wage compression, in particular at the lower end of the wage distribution.
- ❑ Low-skilled women have a comparative advantage (Wage premium) in more class-equal societies, like the Argentinian one.
- ❑ The quantile regression results showed that when controlling by human capital and demographic characteristics women in Argentina enjoy a better wage premium than men across the whole distribution. While in Chile, women at the median and top of the distribution have a lower wage premium than men.

Thank you!