

## The Gender Wage Gap in Italy

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Italy ranks badly in terms of female employment with respect to the other advanced economies, showing an employment rate equal to 46 per cent in 2010. When the cross-country comparison deals with the gender wage gap, Italy stands as one of the countries where the gap is lower. This is mainly due to a positive selection: in Italy the women who work are those whose characteristics are better rewarded by the labour market (for example, the more educated). Estimates addressing the issue of positive sample selection are instead much larger (Olivetti and Petrongolo, 2008). Another feature of the Italian economy is the high share of self-employment (more than one fourth of the occupation). Any credible estimate of the gender wage gap among dependent workers in Italy cannot ignore these two salient features of the Italian economy. In this paper I estimate the gender wage gap since the mid-Nineties exploiting the Bank of Italy's Survey of Household Income and Wealth (SHIW). Information available therein, updated to year 2008, allow to control for several socio-economic characteristics, as well as providing valid exclusion restrictions for the choice of working versus not working (marital status, household characteristics, possession of other sources of income) and for the choice of working as a dependent worker versus as a self-employed (the professional status of her parents, which is consensually a good predictor of children's status, especially in a low generational mobility country such as Italy).

The methodology proposed consists of estimating a probit with sample selection for the two binary choices, then obtaining the inverse mills' ratios that are plugged in a Mincerian wage regression including determinants of the compensation which are rather standard in the literature. The results are the following. The raw gender gap (obtained by regressing the hourly wage on a gender dummy) is on average equal to 6 per cent in the period under exam. Whenever characteristics and selection issues are properly accounted for not only the gap raises to about 13 per cent, but it also shows an increasing trend over the considered period.

A second issue the paper looks at deals with the assessment of which part of the compensation can be held responsible for the existence of such a gap. Very recent contributions in the literature for comparable countries (de la Rica, Dolado and Vegas (2010) for Spain; Munoz-Bullon (2010) for the United States) show that the gap is by and large due to the performance pay component, the part that should in principle has more to do with merit and productivity and hence be less affected by discrimination. The paper aims, also borrowing from the methodology developed by de la Rica et al. (2010), at assessing if the same result holds for Italy. It exploits newly available data from the Eurostat Structure of Earnings Survey (harmonised data for the European countries, including Italy) for years 2002 and 2006, which contains for a large sample of workers information on annual bonuses paid with a link to performance, as well as standard characteristics of the employees and of their employers. For Italy the sample includes firms with more than 10 employees, in the private sector net of agriculture and services to households; almost 82,000 workers are surveyed. Using data from the European Community Household Panel, Eurostat (2009) shows that the effect of this censoring is low in many countries, if not absent. The survey includes in particular the total annual bonuses and, more consistent with our

scopes, the part of bonuses based on productivity, hence related to workers' or firms' performance. According to this dataset only 36 per cent of workers benefit of this latter kind of bonuses, with a strong heterogeneity across sectors and occupation types. The share of recipients ranges between 4 per cent in the building sector and 91 per cent in the Energy, gas and water sectors; between 14 per cent among those covering sales and services elementary occupations and 60 per cent among machine operators and assemblers. Probit estimates for the probability of receiving these bonuses also show that they are more likely in the North-west, in larger firms, among men, among the more educated and among those with higher tenure.

Preliminary results show that the raw gender wage gap referred to the (natural logarithm of the) total hourly wage is equal to 18 per cent; it shrinks to 14 per cent controlling for other worker's characteristics (age class, education, geographical area) as well as for firm and job characteristics (sector, size, type of economic and financial control, qualification, tenure and its square, type of contract - full time versus part time, either open-ended or temporary or apprenticeship contract – share of overtime work). Within-firm estimates show a further reduction, at 12 per cent. Selecting only those receiving performance –related pay and controlling for the whole set of available characteristics the gap is equal to 12 per cent. When the outcome is the premia received (either controlling for hours worked in the RHS or building an hourly measure, plus the usual set of controls) the gap raises to about 20 per cent.