



Reducing the Gender Wage Gap  
Soolise palgalõhe vähendamine

## BACKGROUND

- Estonia has the largest gender pay gap in the EU.
- According to 2018 Eurostat data, gross hourly wages averaged 15% lower for women (in the EU). In Estonia, the difference was 22.7%.
- Previous studies have been able to explain but a fraction of the existing gender pay gap.
- In 2019, the Estonian Research Agency and the Ministry of Social Affairs commissioned a research project: "Reducing the gender pay gap". This study aimed to better explain the causes and offer solutions to reduce the gender pay gap. Financed by the European Regional Development Fund, the project was carried out by Tallinn University, Tallinn University of Technology and Statistics Estonia. It was completed in January, 2021.
- The first step was to analyse the data from the Structure of Earning Survey (SES) (2014) and combine it with registry data. This provided a total sample size of more than 125,000 people.
- The analysis outlining the causes of the gender pay gap is more detailed than previous studies due to its larger sample size and the opportunity to combine the SES data about companies and pay with individual data from the national registry (e.g. number of children).

# A BRIEF SUMMARY OF THE STUDY "THE ANALYSIS OF THE GENDER PAY GAP IN ESTONIA"

TALLINN UNIVERSITY 2020

## FINDINGS: HOW IS THE GENDER PAY GAP ACCOUNTED FOR AT DIFFERENT SALARY LEVELS?

- With the new joint data set, it was possible to explain about 40% of the known pay gap, which is more than twice than in previous studies.
- With the parameters included in the analysis, whilst almost all of the pay gap could be explained with low-wage earners, only half could be explained for medium-wage earners. For high-wage earners, only a fraction of the wage gap could be rationalised with some kind of explanation (see also Figure 1).
- People's average hourly wage tends to increase for everyone up to the age of 40, after which it tends to decline. However, men experience a faster and higher wage growth compared to women, which in turn means that the gender pay gap increases with age.

## FINDINGS: WHAT FACTORS DETERMINE A MAN'S WAGE?

- Differences in hourly wages for both men and women were due first and foremost, to the occupation people were in, second, the company's field of economic activity, third, their level of education, fourth, their place of residence (county) and fifth, their age. However, these factors explain the variability of women's hourly wages much better than they do men's hourly wages.
- The latter suggests that the large wage gap in Estonia is driven by highly paid men whose wage levels cannot be explained by (standard) factors included in the analysis.
- In addition, men's hourly wages tend to be higher when they have more children, whereas this is the exact opposite for women.

## FINDINGS: DOES THE COMPANY MATTER?

- The gender segregation of the workforce is a key determining factor. Men tend to dominate in jobs with higher hourly wages; whilst the reverse is true for women.
- The higher the salaries offered by a company, the greater the gender pay gap is likely to be. When looking at ownership, the largest wage gap can be found in foreign-owned companies: ranging between 40-50% larger than in private companies of Estonian origin. The smallest pay gap can be observed in local government (14%), which is significantly lower than in the rest of the public sector (see Figure 2).
- The gender pay gap is wider in companies where the proportion of women in the workforce is higher.

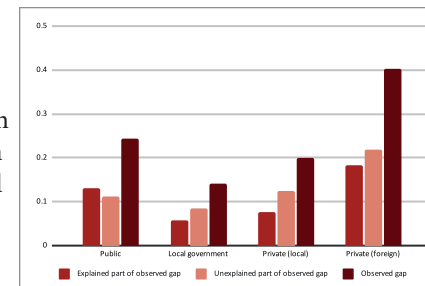


Figure 2: Proportion of the pay gap that can be reasonably explained according to where the company is based.



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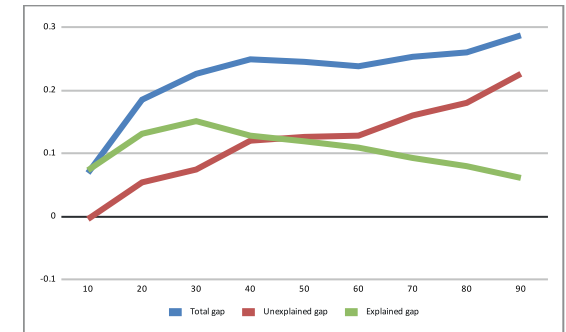


Figure 1: Gender pay gap and the proportion of the pay gap that can be reasonably explained across wage quantiles.

## ADDITIONAL MATERIAL

- Analysed the impact of life events on people's wages (like having children).
- Conducted interviews with Estonian companies in order to explain the mechanisms that led to the gender gap, and based on these findings, propose ways to reduce the pay gap.
- Explored the role played by social attitudes in creating and perpetuating the gender pay gap. This in turn may help to fill in the gaps in knowledge, such as why women expect lower wages and how people justify it.

This fact sheet is a summary of the technical report completed during the study. The full report (in Estonian) is available on the project homepage at [rege.tlu.ee](http://rege.tlu.ee). For more information, please contact the project leaders:

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