# The Unequal Impact of Firms on the Relative Pay of Women Across Countries

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**Abstract**

We use matched employer-employee datasets from the US and Europe to document the contribution of firm-specific pay premiums to the gender hourly wage gap. Our findings are as follows: (1) The impact of firm-specific wage premiums on the gender wage gap —the firm effects gap— varies considerably across the 11 countries we study. It accounts for two-thirds of the gender wage gap in the US and, at most, one-third in Europe. (2) A decomposition of the firm effects gap into *sorting* (women working in lower-paying firms) and *pay-setting* (women earning less in similar firms) reveals stark differences across countries. The pay-setting effect explains less than 10 percent of the gender wage gaps in most countries. In countries with a lower degree of wage-setting centralization (Hungary and US) the importance of the pay-setting effect is much larger.

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