

Geographic and enterprise characteristics influencing the gender pay gap in Italy: a state-of-the-art analysis before the Adjustments required by European directive 970/2023

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The gender pay gap still characterises the Italian labour market and increases when correcting for the low participation of women in the labour force. While the Italian gender pay gap is widely acknowledged, reaching a consensus on its magnitude is challenging due to the methodologies employed in measuring it and the factors considered. The entry into force of European Directive 970/2023, which EU member states must implement by June 2026, marks a decisive moment, emphasising pay transparency, work of equal value, and the measurement of pay differentials. This study aims to provide an initial contextual snapshot, offering precise measurement of the gender pay gap and investigating how it varies according to geographic characteristics and enterprise features. The goal, together with providing an ex-ante evaluation, is to identify drivers to monitor and address to meet the goal suggested by the directive.

OECD and EIGE data report very heterogeneous levels of gender pay gaps across countries, but much less is known about gender regional differences in regional . Exploring regional characteristics in Italy makes sense because the country is characterized by striking regional disparities in development, services, and the labor market, with a notable north-south divide. For example, in the south, barely 50% of women are employed. Some researchers have analyzed regional disparities, such as Fuchs et al. (2021) for Germany and Galego & Pereira (2014) for Portugal, and have shown significant geographic disparities in the gender pay gap, even if strongly driven by individual factors. These variations may be partly related to differences in industrial structure and levels of economic development. Additionally, factors such as territorial features (particularly in the provision of services, such as those supporting parenthood), different levels of patriarchal culture, and differences in women's labour force participation could contribute to these regional differences. Enterprise characteristics also play a crucial role in shaping the gender pay gap.

While geographic and enterprise characteristics explain a substantial portion of the gender pay gap, a significant unexplained gap remains, regardless of the country of analysis. For example, there is ample evidence even in the national context (Destefanis et al 2024; Giangregorio & Fana 2024), suggesting the presence of systemic discrimination or other unmeasured factors.

The study exploits administrative micro-data from the National Institute for Social Security (INPS) and from the Statistical information system of mandatory communications (Sistema Informativo Statistico delle Comunicazioni Obbligatorie - SISCO) provided by the Ministry of Labour and Social Policy. The data includes detailed records of employees' retribution, as well as their personal and firm characteristics. Key variables include retribution, gender, citizenship, education, NUTS classification, enterprise size, industry

classification (ATECO07), and average employee characteristics. Descriptive statistics provide an overview of the gender pay gap across different geographic regions and enterprise attributes. The former account for aspects such as structural indicators, support for caregiving activities, territorial factors like the availability of childcare facilities, and demographic indicators including the care burden index (which can be further divided into the care burden index for children and the elderly). Meanwhile, the latter includes firm-specific attributes such as age, size, sector according to the ATECO classification, and location, as well as insights about company workforce composition.

Multivariate regression analysis assesses the impact of geographic and enterprise characteristics on the gender pay gap while controlling for other factors such as job type, contract type, and worker demographics. Additionally, the Oaxaca-Blinder decomposition method is applied to understand the contributions of various factors to the gender pay gap.

The entry into force of European Directive 970/2023 emphasizes the importance of pay transparency, work of equal value, and measuring pay differentials. These elements are crucial for designing effective policies to reduce the gender pay gap. According to administrative and, thus, reliable data, this study aims to provide a measurement and a detailed analysis of the gender pay gap across different geographic regions and enterprise typologies in Italy, highlighting the most relevant characteristics in understanding and addressing the issue. Moreover, by means of the Oaxaca decomposition we aim at estimating the unexplained gender by the gap. According to our results, we will try to define policy recommendations to reduce the gender pay gap. Moreover, our primary goal is to provide an ex-ante evaluation of the gender pay gap in the Italian private labour market before the entry into force of European Directive 970/2023, to establish a baseline that will allow future researchers to assess whether the directive has produced any effects in the future.

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