

[IZA News](#)[About IZA](#)[Organization Chart](#)[People](#)[Research](#)[Labor Policy](#)[Publications](#)[Discussion Papers](#)[Policy Papers](#)[Standpunkte](#)[Books](#)[Research Reports](#)[IZA Compact](#)[IZA in the Press](#)[Publication Record](#)[Journals](#)[Events](#)[IZA Prize / YLE Award](#)[Teaching](#)[Links / Resources](#)[Press](#)

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The Aftermath of Reunification: Sectoral Transition, Gender, and Rising Wage Inequality in East Germany

by Karsten Kohn, Dirk Antonczyk

(May 2011)

forthcoming in: Economics of Transition

Abstract:

Using a large administrative data set, this paper studies the evolution of the East German wage structure throughout the transition period 1992-2001. Wage dispersion has generally been rising. The increase occurred predominantly in the lower part of the wage distribution for women and in the upper part for men. Sectoral transition affected women to a much larger extent than men. A sequential decomposition analysis using quantile regressions reveals that changes in industry-specific remuneration schemes contributed strongly to the rise in wage inequality in the lower part of the distribution for female workers. On the other hand, inter-industry trends away from the manufacturing sector towards service sectors contribute to the smaller increase of inequality in the upper part of the distribution, while causing wage dispersion in the lower part of the distribution to decline. Changes in the industry composition alone would have led to a polarization of wages for female workers. For men, changes in individual characteristics and a general time trend contribute the largest part to the increasing wage dispersion. These gender differences result from employment segregation across industries right after German reunification, and a particularly strong concentration of females in the public sector.

Text: See [Discussion Paper No. 5708](#)



[Back](#)