G²LM|LIC
Gender, Growth, and Labour Markets in Low Income Countries Programme

PB

G²LM|LIC Policy Brief No. 92 | August 2026

Does the Firm Matter More than the Job? Unpacking the Gender Wage Gap in Nairobi, Kenya

Alison Andrew (University of Oxford)
Inbar Amit (University of Oxford)
Nathan Barker (Northwestern University)
Robert Garlick (Duke University)
Carol Nekesa (REMIT Kenya)
Kate Orkin (University of Oxford)

*In Nairobi, Kenya, men and women in the same firm earn similar pay. Most the pay gap is driven by differences in which *firms* men and women work at.*

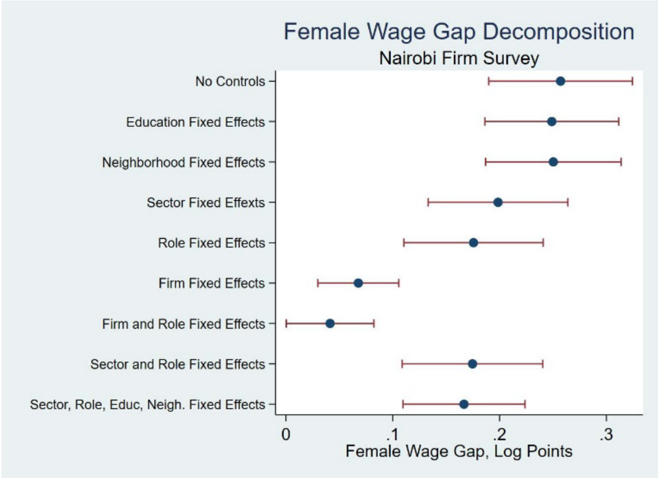
Follow us on Bluesky (@g2lmlic.bsky.social) and X (@glmlic)!

Topic at a Glance

Gender wage gaps persists across low-income labor markets, but the source of these gaps is not well understood. Is the gap driven by women working at lower-paying firms, or by firms paying women less from the same job? We use a combination of firm-level data and a resume rating exercise to test this question.

We find some evidence for both theories, but find that the effect appears mostly driven by *between-firm* differences. Without controls, we find that Nairobi women's wages are 26% lower than men's. Characteristics of the worker and role have a modest impact, but adding firm level fixed effects drops the gap to 7% (i.e., within a given firm, wages are 7% lower for women than men on average).

To explain the remaining *within-firm*, we ask firms to rate hypothetical candidates (in which we randomly vary gender and worker quality). We find that while men and women are equally likely to receive a hypothetical offer, men are on average offered 8% higher wage. We interpret this as consistent with firms differentially rewarding the quality of men relative to women.



The first row shows the raw gender gap (in log wages). Subsequent rows show how the gap changes with the inclusion of various controls.

New Insights

Women in Nairobi, Kenya earn substantially less than men on average. In our sample of 601 firms and 1,953 workers in Nairobi, the gender wage gap is approximately 28 log points. This project asks where this gap comes from, and finds two distinct facts.

First, most of the gap is between firms, rather than within them. That is, women are disproportionately likely to work at firms that pay all of their workers lower wages, rather than women being paid less than men within a given firm. When we add firm fixed effects to a standard wage regression, the wage gap falls from 28 log points to 7 log points. Adding role fixed effects on top of worker fixed effects reduces the gap further to 4 log points (an 84% reduction from the raw gap). In other words, the primary reason women in

Nairobi earn less than men is because they tend to work at lower-paying firms, rather than because a given firm pays its female workers less than its male workers. This points towards gender differences in access to good firms, e.g., through networks, referrals or search frictions, as a key drier of the gap.

However, even though within-firm wage gaps are small on average, we find evidence that firms do not treat men and women equally once quality is taken into account. In a resume-rating exercise, we presented hiring managers with realistic worker profiles that varied gender, age, experience, and the presence or absense of a referral, among other characteristics. Managers report being equally likely to make an offer to men or women. However, hiring managers report on average choosing to offer men 8% higher wages conditional on making an offer. This difference reflects differences in how hiring managers choose to reward skill. Using a machine learning model to predict candidate quality, we find that as predicted quality rises, the wage men would be offered rises. A male candidate in the top third of quality is on average offered a wage 16% higher than a man in the bottom two thirds. Female candidate quality is rewarded much less. A female candidate in the top third's wage only increases 7% more than a candidate in the bottom two thirds.

Together, these findings suggest that Nairobi's gender wage gap operates through two distinct channels: unequal sorting into firms, and unequal returns to quality once hired.

Policy Recommendations

These results suggest two primary sets of policy responses.

Because most of the gender wage gap is between firms (and because we do not see strong evidence that firms are less likely to make job offers to women), and important set of policies will increase women's ability to access and apply to higher-paying jobs. This might include expanding women's referral networks (since referrals are a major pathway to good jobs), providing external transparency about wages at the firm level (so women know which firms to target in the first place), and providing subsidies to finance job search (so that women can afford to search until they find high quality jobs.

Second, because firms reward demonstrated quality asymmetrically by gender, policies that make worker quality more visible and verifiable to employers may be especially effective for women. Standardized skills certification, structured reference checks, or portable credentials could reduce firms' reliance on gendered priors when deciding the pay structure to offer. Because the gap emerges only after the hiring margin (not the decision to hire), interventions focused solely on encouraging firms to hire more women are unlikely to fully close the gap on their own—they need to be paired with policies that ensure that pay, once hired, tracks candidate quality equally for men and women.t

Limitations

An important limitation of our firm-level data is that we do not observe the applicant pool at the firms we survey. We only observe the wages of hired workers, and how firms report they would evaluate hypothetical candidates. This means we cannot distinguish whether high-wage firms have fewer women because (a) few women apply there in the first place, (b) the women who do apply have on average less relevant skills or experience, or (c) some other factor drives this firm-level sorting. At the time of drafting, we do not yet have detailed data on how application behavior differs between men and women; our ongoing data collection should offer further clarity on this front.

Separately, our rating exercise relies on firms' reported evaluations of hypothetical candidates rather than real hiring decisions. The fact that we still detect gender discrimination despite this (higher-quality female candidates are not paid more than lower-quality ones, unlike higher-quality male candidates) partially alleviates the concern that hiring managers are simply telling us what we want to hear: a manager trying to appear egalitarian would have an easy way to do so here, and did not take it.t

Read more → g2lm-lic.iza.org/fertility/occupational-segregation-and-gender-gaps-in-nairobi/

G²LM|LIC is a joint program by IZA and the UK Foreign, Common-wealth & Development Office (FCDO) – improving worldwide know-ledge on labor market issues in low-income countries (LICs) and pro-viding a solid basis for capacity building and development of future labor market policies.

G²LM|LIC
c/o IZA – Institute of Labor Economics
Schaumburg-Lippe-Straße 5–9
53113 Bonn, Germany

Phone: +49-228-3894-0
Fax: +49-228-3894-510

Email: glm-contact@iza.org