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DISCUSSION PAPER SERIES

IZA DP No. 16580

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ABSTRACT

Catalyzing Gender Equality: Foreign MNC Subsidiaries as Agents of Change in Mitigating Wage Discrimination against Women

Wage discrimination against women remains a major obstacle to fair economic opportunities for women and a grand challenge constraining economic growth in many countries. Existing research is ambivalent about whether foreign MNC subsidiaries as employers of women offer a solution to this grand challenge. On the one hand, foreign MNC subsidiaries can pay higher wages to women because they are outsiders to the host country and can deviate from social norms that disadvantage women. On the other hand, they suffer from the liabilities of foreignness that limit their attractiveness as employers for women relative to domestic firms. We theorize that the latter factor becomes less important as the level of wage discrimination against women by domestic employers increases, so that foreign MNC subsidiaries become more attractive employers when women change jobs. We isolate two boundary conditions for this effect based on (a) whether women can observe wage premiums at foreign MNC subsidiaries in local labor markets and (b) when foreign MNC subsidiaries deviate from social norms in the labor market by relying more on female top managers than domestic employers. We test and support these hypotheses for 123,343 female professionals/managers who changed jobs in Denmark between 2000 and 2016.

JEL Classification: J5, J16

Keywords: gender pay gap, female employee mobility, MNC wages, employer attractiveness

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INTRODUCTION

Equal opportunities for women in society are a grand challenge globally or, as the United Nations puts it in its Sustainable Development Goal 5[1]: "Ending all discrimination against women and girls is not only a basic human right, it's crucial for sustainable future; it's proven that empowering women and girls helps economic growth and development." Women are held back in their career progression (e.g., Kunze and Miller, 2017), are underrepresented among top managers (e.g., Matsa and Miller, 2011), or less likely to become entrepreneurs than men (e.g., Miric, et al., 2023). One of the most consequential disadvantages for women is that they are being paid less than men for their work. In 2021, the gender pay gap, i.e., the difference between average gross hourly earnings of male and female employees as a share of male gross earnings, was 13% in the European Union (EU)[2] and 11.9% in OECD countries[3]. While part of the gender pay gap can be explained by worker and workplace differences, the unexplained part is substantial (Kunze, 2017). Women are often discriminated against or stereotyped when employers assess the quality of their human capital, leading to gender wage disadvantages (Becker, 1971; Aigner and Cain, 1977; Bertrand and Duflo, 2017). These disadvantages often persist because they are rooted in a country's social norms and beliefs about gender roles and responsibilities (Siegel, et al., 2018). This insight makes it salient for management theory and practice to consider the role of multinational corporations (MNCs) as employers of women because, by definition, MNCs span multiple countries with different institutions and cultures that can drive or constrain their agency to become part of the solution to societal problems (van der Straaten, et al., 2023).

Extant research in International Business has largely adopted the perspective of foreign MNCs when considering their role in alleviating women's disadvantages in host countries. Foreign MNC subsidiaries

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[1] https://www.undp.org/sustainable-development-goals/gender-equality, accessed 1 June 2023
[2] https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en#:~:text=Documents-,Facts%20and%20figures,less%20per%20hour%20than%20men, accessed 2 October 2023.
[3] https://data.oecd.org/earnwage/gender-wage-gap.htm, accessed 2 October 2023.

have been found to enhance their performance when hiring the undervalued human capital of female managers in host countries (Siegel, et al., 2018), and to pay wage premiums to women in some host countries based on MNC-wide compensation systems or to mitigate reputational risks (van der Straaten, et al., 2020). However, the perspective of women in host countries is much less understood. They may not view foreign MNC subsidiaries as attractive employers due to a lack of legitimacy or familiarity compared to domestic employers (Zaheer, 1995; Kostova and Zaheer, 1999). If this is the case, MNCs would be severely constrained in solving the grand challenge of creating equal economic opportunities for women in their host countries.

In this study, we focus on the attractiveness of foreign MNC subsidiaries as employers for women and how it is affected by their individual experience of gender wage discrimination in domestic employment. We capture employer attractiveness by focusing on the situation of women leaving domestic employers and choosing between a foreign or a domestic firm as their next career destination, i.e., when their preferences for foreign MNCs as employers are revealed. Theoretically, we draw mechanisms from theories on the liability of foreignness of MNC subsidiaries in host countries (Rosenzweig and Nohria, 1994; Zaheer and Mosakowski, 1997) as well as gender-based employment policies of MNCs (Siegel, et al., 2018; van der Straaten, et al., 2020) and integrate them into models of employer attractiveness in which individuals form expectations about the qualities of potential employers based on observable characteristics (Ryan, et al., 2000; Cable and Turban, 2001). Applying this theoretical logic, we hypothesize that the attractiveness of foreign MNC subsidiaries as employers for women increases with the degree to which they experience gender wage discrimination in domestic employment. We argue that, as the level of gender wage discrimination increases, the foreignness of potential employers shifts from a concern to an opportunity, i.e., a credible indication that foreign employers will deviate from the host country's social beliefs that favor men over women. We isolate two boundary conditions for this theoretical mechanism, i.e., (a) the extent to which women can observe MNC wage premiums over domestic employers in geographic proximity and (b) the prevalence of women in top management teams of foreign MNC subsidiaries relative to the domestic labor market. In the former case, women can more credibly assess whether moving to

an MNC would potentially increase their salaries. In the latter case, women may infer that foreign MNC subsidiaries are willing to deviate from the male-dominated norms of domestic employers.

We test our theoretical predictions using population-level data from the register for all employers and employees in Denmark between 2000 and 2016, i.e., Denmark is the host country in our empirical study. Denmark is a particularly appropriate setting for our empirical study because it shares similarities with many other advanced countries around the world where gender equality is an important political and social priority, but gender-based wage disadvantages persist. Indeed, in 2021, the gender pay gap in Denmark was 13.9%, 0.9 percentage points higher than the EU average and 2.7 percentage points higher than in Sweden, another Scandinavian country often compared to Denmark for its social welfare system and gender equality policies[4]. Based on the register data we can identify 123,343 female professionals and managers working for Danish firms who change jobs between 2000 and 2016. 11,185 of these women decide to move to a foreign MNC subsidiary while the rest finds another domestic employer more attractive. The dataset is not only advantageous because of its comprehensive coverage but it also provides us with unique access to relevant employment and employer information to answer our research question. Most importantly, we can observe wages as well as human capital and job function information (e.g., education, tenure, experience, responsibilities), which allows us to isolate gender wage discrimination using the Kitagawa-Oaxaca-Blinder decomposition (Kitagawa, 1955; Oaxaca, 1973; Blinder, 1973). In addition, we can hold constant family characteristics, such as partners and children, and control for differences in prior, domestic employers. Further, we identify all foreign MNC subsidiaries in Denmark based on their equity ownership which allows us to track employer changes to foreign MNCs comprehensively. Finally, the data enable us to construct variables for the entire Danish labor market to test our boundary condition hypotheses. We estimate probit models with block-bootstrapped standard errors and find support for all hy-

[4] https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en#:~:text=Documents-,Facts%20and%20figures,less%20per%20hour%20than%20men, accessed 2 October 2023.

potheses. Women changing jobs are increasingly likely to move to foreign MNC subsidiaries as their individual degree of gender wage discrimination in domestic employment increases, and this effect is stronger when they can observe foreign MNC wage premiums in geographical proximity and when foreign MNC subsidiaries have more women in their top management teams relative to domestic firms in the labor market. We conduct additional analyses and find that the women who moved to foreign MNC subsidiaries also earned higher wages in their new jobs than those who chose domestic firms. These auxiliary analyses also reveal that (a) effects exist equally for MNCs with global headquarters close to Denmark (e.g., in Sweden) as well as increasingly distant countries and (b) we find consistent results for women with domestic (Danish) and foreign nationality. These findings make us confident that the gender wage discrimination of domestic employers is the driving force behind women's assessment of the attractiveness of foreign employers.

Our findings have important implications for academic research along two main dimensions. First, the role of MNCs as employers that provide more economic opportunities for women has received increasing attention in current research (Siegel, et al., 2018; van der Straaten, et al., 2020). However, the status quo of existing theory remains necessarily incomplete if it does not account for women's preferences for certain employers over others and the extent to which women are heterogeneously affected by gender wage discrimination. Our model advances this stream of research along both dimensions (a) by isolating the concept of employer attractiveness of foreign MNC subsidiaries relative to domestic employers and (b) by showing how the magnitude of gender disadvantages affects women's perceptions of foreignness as a liability or an asset of a prospective employer. Based on this theory advancement, the opportunities for MNCs to become part of the solution to the grand challenge of equal economic opportunity for women become increasingly useful by representing not only the status quo of host country labor market outcomes but also the potential labor supply based on the employer preferences of women.

Second, theory on liabilities of foreignness for MNCs in the host country is well developed in general (Zaheer, 1995; Zaheer and Mosakowski, 1997) and for MNCs' employment practices in particular

(Rosenzweig and Nohria, 1994; Mezias, 2002b). The comparison between foreign and domestic employers is fundamental to their theoretical logic. However, most studies examine heterogeneity in the conduct of foreign MNCs to mitigate the liabilities of foreignness (e.g., Sofka, et al., 2022). Comparatively little is known about how the conduct of domestic firms turns foreignness into an advantage (notable exceptions include Edman, 2009, and Siegel, et al., 2018). We demonstrate how gender wage discrimination in domestic firms makes foreign MNCs attractive employers. However, there is a larger theoretical opportunity to identify specific characteristics of host country assets that are persistently undervalued by domestic firms, and thus create strategic opportunities for foreign MNCs relative to domestic rivals.

THEORY AND HYPOTHESES

Gender pay gaps and wage discrimination against women

While the gender pay gap has gradually decreased around the world over the past decades, aggregate statistics from the OECD show that it is still sizeable and varies considerably across countries.[5] In 2021, the lowest pay gap was found in Belgium (1.2%) while the highest pay gap existed in Korea (31.2%). Consequently, the gender pay gap has gained considerable prominence as an indicator relevant to policy making that seeks to address the unequal economic outcomes of men and women in the labor market (e.g., European Commission, 2018; WEF, 2022). Although wage and earnings differentials have received most of the attention in the broader study of gender gaps in the economy, prior research has documented unequal outcomes for men and women regarding career progression (e.g., Kunze and Miller, 2017), lower representation in top management teams (e.g., Matsa and Miller, 2011), or entrepreneurship (e.g., Miric, et al., 2023). Collectively, these gender gaps constitute significant challenges not only for women, whose human capital is underutilized and perhaps undervalued, but also for economies and societies worldwide.

Over the past decades, considerable research efforts have been devoted to better understanding the reasons for gender gaps in the economy and, in particular, the gender pay gap (Blau and Kahn, 2017, and

[5] OECD (2023), Gender wage gap (indicator). https://data.oecd.org/earnwage/gender-wage-gap.htm (Accessed on 26 September 2023)

Kunze, 2017, provide comprehensive reviews). A key point of departure in this literature is the recognition that observed wages, as documented by aggregate statistics, may lead to a biased assessment of the gender pay gap if men and women differ in their characteristics that affect productivity and wage setting in the labor market. Among the most-studied factors that drive productivity, an individual's human capital, which is based on educational attainment and work experience, has often been shown to differ by gender. Estimating a wage regression model of the relationship between earnings, schooling and skill accumulation (Mincer, 1958; Mincer, 1974) then allows decomposing the "raw" gender pay gap into a component that can be explained by the observed differences in average human capital between men and women, and a residual component that represents the unexplained gender differential. Prior literature has developed several approaches for this decomposition (Kunze, 2017). In the following, we present results that are mainly based on the Kitagawa-Oaxaca-Blinder decomposition (Kitagawa, 1955; Oaxaca, 1973; Blinder, 1973), which is the most commonly used approach that we adopt in our empirical measurement.

The Kitagawa-Oaxaca-Blinder decomposition approach follows several steps. First, wage regressions are estimated separately for men and women, explaining individuals' wages as a function of their human capital characteristics and an error term that captures unobserved characteristics. This allows for the estimation of the counterfactual in the second step, i.e., the wage of women, given their observable characteristics, if they had been paid the same as men. The total gender pay gap is then defined as the difference between the explained and the unexplained component, allowing the sources of the differential to be identified. Based on numerous studies for a large number of countries, a substantial part of the differential can be explained by years of education and work experience. In addition, tenure, occupation, industry, and union status, as well as demographic factors such as marital status, children, and race, increase the explained component of the gender pay gap (e.g., Weichselbaumer and Winter-Ebmer, 2005; Blau and Kahn, 2017). Prior research also highlights the important role of selection effects in explaining the gender pay gap. Women often choose different jobs than men, and these jobs are paid differently (Goldin, 2014). In addition, women are more likely than men to choose part-time jobs, and these jobs are typically differ-

ent from full-time jobs and negatively affect career prospects (Manning and Petrongolo, 2008). Furthermore, both part-time jobs, which are often chosen to care for family, and maternity leave limit opportunities to gain extensive work experience, which in turn reduces individual productivity (Waldfogel, 1998).

While these explanations of the gender pay gap focus on observed differences between men and women, i.e., supply-side factors, research has also examined the role of demand-side factors. In this regard, the gender pay gap may be due to taste-based discrimination (Becker, 1971) or statistical discrimination (Phelps, 1972). In his theory of labor market discrimination, Becker, 1971 suggests that a firm's management may have a taste for discriminating against women by paying more than the market wage to the favored demographic group, i.e. to men. Consequently, he refers to discrimination as a consumption good of a firm's management. Using data from the US, Flabbi, 2010 finds that taste-based discrimination is widespread and that a significant proportion of the employers discriminate. Becker, 1971 argues that, as a result, firms with strong biases against women forgo profit-maximizing opportunities and, over time, become less efficient than less discriminating competitors, forcing these firms to exit the market.

In contrast, statistical discrimination describes a situation in which firms discriminate against women because they associate uncertainty with a female job candidate. Indeed, there is considerable evidence that firms invoke crude or stereotypical characteristics, such as an individual's gender, when evaluating the quality and fit of a job candidate (e.g., Aigner and Cain, 1977; Bertrand and Duflo, 2017). Thus, employers may rely on the shared beliefs and views of groups as a whole when evaluating individual members of that group. Moreover, theories of statistical discrimination argue that employers may discount women due to a lack of reliable signals, i.e., their credentials are perceived as more difficult to assess than those of men, leading to the perception of women as riskier hires (Phelps, 1972; Aigner and Cain, 1977).

Both taste-based and statistical discrimination theories, suggest that tastes and gender stereotypes may be rooted in a country's prevailing norms, cultural beliefs, and social patterns in a country. In this sense, firms and their managers face multiple institutional pressures to conform to local norms when evaluating and selecting job candidates (Meyer and Rowan, 1977). Indeed, the large variation in the gender pay gap across OECD countries suggests that pay differentials based on taste or statistical discrimination

are at least partly due to such country characteristics. For example, in many countries, in both developing and advanced economies, local norms pressure women to marry young and leave the labor force, thereby limiting their career prospects (e.g., Morrison and Jütting, 2004). Such norms may also hold back women from reaching more elevated positions in firms and, more generally, from earning higher wages when men are perceived to be better suited for the job (King and Mason, 2001).

In sum, wage discrimination against women is pervasive in most countries, and women should have strong incentives to prefer employers that deviate from discriminatory practices and pay fair wages. However, these employers may be rare because conformity to social norms and practices is generally beneficial for firms, for example when dealing with customers or regulators (Siegel, et al., 2018), and women may even value some dimensions of conformity and predictability when assessing the attractiveness of potential employers. We argue that foreign MNC subsidiaries are in a distinct position when women assess their attractiveness as employers in general and, particularly, when they face gender-based wage discrimination in domestic employment.

Employer attractiveness of foreign MNC subsidiaries

Employer attractiveness is a crucial concept in labor markets because potential employees rarely have sufficient and credible information about potential employers before joining them. Therefore, they act on observable characteristics of firms and treat them as proxies for the unobservable qualities of potential employers (Ryan, et al., 2000; Cable and Turban, 2001). Employer attractiveness is thus based on the expectations that potential applicants can develop before they are hired or even apply. Employers become more attractive when they engage in activities that potential employees perceive as desirable work environments, such as CSR practices (Turban and Greening, 1996), and less attractive when the workplace is dangerous, e.g., due to accidents (DeLeire and Levy, 2004), or unstable, e.g., due to offshoring (Grecu, et al., 2022). As a result, firms that are perceived as unattractive employers may find it difficult to recruit within limited applicant pools while firms that can convey distinct nonmonetary incentives may attract skilled employees even at wage discounts (Burbano, 2016; Kryscynski, et al., 2020).

Foreign MNC subsidiaries are distinct actors in host country labor markets compared to domestic competitors. The latter are familiar firms in the host country with reputations and procedures that have been shaped through repeated interaction with the specific requirements of the host country (Baum and Oliver, 1991; Mezias, 2002b). In contrast, foreign MNC subsidiaries rarely possess the same level of legitimacy in the host country (Lord and Ranft, 2000) or familiarity (Hymer, 1976; Zaheer, 1995). They often lack the structural embeddedness in the host country or relational advantages (Lord and Ranft, 2000; Sofka, et al., 2022).

Foreign MNC subsidiaries cannot simply adopt all host country practices because they must also comply with MNC-wide procedures that apply across countries (Vora, et al., 2007). However, the need for such intra-MNC consistency is not apparent or observable for the host country environment of an MNC subsidiary, creating a persistent legitimacy deficit in which misunderstandings, misinterpretations or misjudgments are typical (Zaheer and Mosakowski, 1997). Accordingly, the conduct of foreign MNC subsidiaries becomes increasingly unreliable, delayed or error-prone compared to domestic firms (Lord and Ranft, 2000). The sum of these disadvantages of foreign MNC subsidiaries relative to host country competitors is typically referred to as the liability of foreignness (Zaheer, 1995). It poses a challenge to many host country interactions of foreign MNC subsidiaries with human resource practices as an important dimension (Rosenzweig and Nohria, 1994). Mezias, 2002b, for example, shows in an HR context how the replication of employment practices by foreign MNCs in the US leads to a higher likelihood of labor lawsuits there.

Employer attractiveness of foreign MNC subsidiaries when women face wage discrimination in domestic firms

According to the liability of foreignness logic, foreign MNC subsidiaries would normally be less attractive employers than domestic firms in host countries because of their lack of legitimacy and embeddedness. However, this perspective assumes, at least implicitly, that all employees of domestic firms benefit homogeneously from the conduct of their employers according to local norms and traditions. If the latter disadvantage certain employees, such as in the case of gender-based wage discrimination against

women, the fact that foreign MNC subsidiaries deviate from such norms can turn foreignness into an asset, making foreign MNC subsidiaries more attractive employers than domestic rivals.

We base our theorizing on the attractiveness of foreign MNC subsidiaries as employers for women on Siegel, et al., 2018 who note that foreign MNCs are outsiders to the host country and may benefit from acting as "social deviants" in labor markets. Within this logic, gender roles are important, deeply rooted beliefs in society because they determine power and responsibility (Siegel, et al., 2018). These social beliefs particularly affect domestic employers. Then again, they also imply that the human capital of disadvantaged groups may remain systematically undervalued in labor markets (Becker, 1971). Foreign MNCs are in a unique position to consider the benefits of recruiting such undervalued human capital and accepting the risk of not fully conforming to host country norms (Siegel, et al., 2018). The result is a paradoxical situation in which foreignness becomes an advantage (Edman, 2009). Accordingly, Siegel, et al., 2018 document for South Korea, with entrenched career disadvantages for women, that foreign MNC subsidiaries employ more female managers, provide them with training opportunities more frequently, and benefit from higher firm performance relative to domestic competitors. If domestic labor markets are slow to respond to these gender policies of foreign MNC subsidiaries, the performance effects may be persistent. While Siegel, et al., 2018 are primarily concerned with establishing the performance potential of foreign MNC subsidiaries by offering distinct career opportunities to women, we argue that this is also observable to women in the host country and increases their attractiveness as employers.

A separate but complementary logic for the attractiveness of foreign MNC subsidiaries as employers in host countries is offered by van der Straaten, et al., 2020, who focus on the wages paid by foreign MNC subsidiaries to disadvantaged employees, including women, relative to domestic firms. In their argument, the mechanisms underlying MNC wage premiums for women are twofold and do not require assumptions about host country performance effects. First, MNC subsidiaries are comparatively more likely to follow standardized compensation policies across host countries. Such formalized practices limit the opportunity for bias to enter the wage-setting process (Abraham, 2016). Second, MNCs are more likely to

consider broader reputational risks from inappropriate employment policies (Maggioni, et al., 2019). Accordingly, van der Straaten, et al., 2020 find such wage premiums for women working for foreign MNC subsidiaries, albeit with different effects in developed and developing host countries.

For the purpose of our theorizing, it is important to note that the combination of social deviance and the expectation of wage premiums increases the attractiveness of foreign MNC subsidiaries for women who suffer gender-based wage discrimination at domestic employers. Foreignness is typically observable to prospective employees and can therefore be interpreted by women seeking to mitigate gender-based wage disadvantages. Expectations of higher wages in foreign MNC subsidiaries would be attractive to all women, but those who experience large gender-based wage discrimination in domestic employment should be particularly attracted to employers who are willing and able to deviate from social beliefs in a country that disadvantage them relative to men. In contrast, women who do not experience gender-based wage disadvantages in domestic employment are relatively more likely to interpret the social deviance of foreign MNC subsidiaries as a liability of foreignness, making them less attractive employers even if they could offer higher wages than domestic firms. We propose:

> *Hypothesis 1: As gender-based wage discrimination increases among domestic employers, women are more likely to move to foreign MNC subsidiaries when they change jobs.*

Boundary conditions based on information availability on host country labor markets

Underlying our theorizing about the employer attractiveness of foreign MNC subsidiaries for women facing gender-based wage discrimination in domestic firms is the notion that women can evaluate the advantages of other workplaces before they change jobs. Accordingly, they need reliable and observable ex-ante information that allows them to judge other employers (Ryan, et al., 2000). Hence, the informational conditions of women in host country labor markets place boundaries on our theorizing. Given the mechanisms outlined for Hypothesis 1, the salient boundary conditions are (a) that women can observe wage premiums paid by foreign MNC subsidiaries and (b) observable indications that foreign MNC subsidiaries deviate from host country social norms that favor men. We develop hypotheses for both boundary conditions, focusing on the importance of geographically confined labor markets in providing information

about wage differences across employers and about the relative prevalence of female top managers in foreign MNC subsidiaries compared to domestic employers.

The availability of information on wage premiums is important for women evaluating potential new employers because they cannot simply assume that all foreign MNC subsidiaries pay wage premiums across the board for all types of jobs. They need information about the existence of these wage premiums in their specific labor market. Then again, wage differentials among employers are difficult to observe comprehensively and reliably. There are several interrelated factors that hinder transparency (Brown, et al., 2022, provide a recent review). While several countries and organizations have moved to increase pay transparency (Lyons and Zhang, 2023), many firms still consider salaries to be confidential or offer complex compensation arrangements, such as bonuses or equity (Papageorgiadis, et al., 2023), which make it difficult to determine comparable figures. In addition, many national cultures make it inappropriate for colleagues or friends to openly discuss salaries (Brown, et al., 2022). Even when this information is shared, it is difficult for individuals to assess whether the source of the information is credible and the benchmark is relevant, given differences in job functions or experience. As a result, employees often misjudge the salaries of their peers, even within their own organization (Cullen and Perez-Truglia, 2018). One alternative in the absence of credible salary information is to use others' purchases, such as expensive cars, as an indicator of their salaries (Frank, 1985).

Given the opacity of salary information, we argue that the availability of information within the geographic environment of women changing jobs matters. Geographic proximity affects both the observability of wage differentials and the availability of information sources. In terms of observability, geographic proximity increases the odds that incomplete information can be supplemented or confirmed by physical investments or purchases that interested individuals can see for themselves (Sofka, et al., 2018). For example, women considering a job change can observe how neighbors invest into more expensive goods when they work for foreign MNC subsidiaries but such proxies are not available in geographically distant locations. In terms of information availability, labor mobility is often highly geographically constrained as individuals consider moving costs when changing jobs over larger distances (Almeida and Phene,

2004). As a result, professional networks become denser in the geographic proximity of individuals which increases the odds that salary information will be shared among employees of different firms. Therefore, the information about salaries in foreign MNC subsidiaries that is available in close proximity to women considering a job change is more likely to influence their choices. Women are more likely to consider salary information from nearby employers because this information is observable, credible, and applicable.

Thus, we expect that women who face gender-based wage discrimination in domestic employment will look more favorably at foreign MNC subsidiaries as potential employers if they pay wage premiums in local labor markets. Regional proximity increases the odds that women will have information about MNC salary policies that can address their disadvantages in domestic employment. In contrast, if foreign MNC subsidiaries do not pay wage premiums in local labor markets relative to domestic employers, women facing gender-based wage disadvantages could not credibly expect foreign MNCs to be more attractive employers based on earnings potential. Similarly, information about wage premiums paid by foreign MNC subsidiaries in distant locations is unlikely to be reliably available to women considering a job change. We hypothesize:

> *Hypothesis 2: As gender-based wage discrimination increases among domestic employers, women are more likely to move to foreign MNC subsidiaries when they change jobs, and this effect is stronger in local labor markets where foreign MNC subsidiaries pay wage premiums.*

Next, women need information about the extent to which foreign MNC subsidiaries are willing to deviate from social beliefs about gender roles in the host country. One way in which such deviation can become visible is through the top management teams of foreign MNC subsidiaries. Top managers are among the most visible employees of any company. At the same time, if such top management teams include a larger proportion of women, they may indicate that women are treated fairly by such employers.

The representation of women in top management teams is particularly informative because gender discrimination in the workplace is at least partly due to management practices, i.e., managers' "tastes". Prior research has long recognized that women in positions of authority make hiring, pay, and promotion decisions that reduce gender inequality (e.g., Cotter, et al., 1997). In this sense, the effect of women in

management on the gender pay gap rests on two assumptions. First, women must be motivated to implement changes in the interest of subordinate women. Here, gender can create a common interest of female managers and subordinates based on homophily (Lazarsfeld and Merton, 1954; McPherson, et al., 2001). In particular, minorities, such as women, often rely heavily on demographically similar others in the work context (Ingram and Morris, 2007). Second, women must have the authority to influence the wage outcomes of subordinates. Indeed, Cohen and Huffman, 2007 find that greater female representation in management reduces the gender pay gap, but only when women reach relatively high-status positions in management.

In addition, female representation in the top management may reduce statistical discrimination. Flabbi, et al., 2019 find that top managers can more accurately assess the qualities of employees of their own gender. Due to the higher accuracy of assessment, female top managers can adjust wages, thereby reducing the mismatch between women's productivity and job requirements. Moreover, female managers may increase the productivity of female subordinates through better mentoring and communication, or by facilitating social networking and being a role model (Johnson and Scandura, 1994). Female managers may also have a broader influence on their organizations by making work structures and policies more female- or family-friendly (Dreher, 2003). Finally, female subordinates may feel that they are in a better position to negotiate their salaries with a female boss (Bohnet and Bowles, 2008).

In sum, the presence of female top managers is likely to increase the attractiveness of an employer for all women, i.e., there should be a positive main effect for the attractiveness of all employers. For our theorizing, the comparison between foreign and domestic employers is more important because it creates boundary conditions for the attractiveness of foreign MNC employers relative to domestic ones. If female employees can observe that foreign MNC subsidiaries in their labor market have more female top managers than domestic ones, they can infer that MNCs are willing to deviate from host country social beliefs about gender roles. Again, geographic proximity affects the observability of this information which is particularly salient for women who face large gender-based wage disadvantages in domestic employment, because female top managers of other employers could mitigate such disadvantages. In contrast, in host

country labor markets where the representation of women in top management teams does not differ between foreign MNC subsidiaries and domestic firms, it is difficult for women to form credible expectations about the willingness of foreign MNC subsidiaries to deviate from social norms about gender roles. Accordingly, the effects on the attractiveness of foreign MNC subsidiaries as employers should be small under these conditions. Hence, we propose:

> *Hypothesis 3: As gender-based wage discrimination increases among domestic employers, women are more likely to move to foreign MNC subsidiaries when they change jobs, and this effect is stronger in labor markets where foreign MNC subsidiaries have relatively more women in top management teams than domestic firms.*

DATA AND METHODS

Data

We test our theoretical conjectures using linked employer-employee register data from Denmark. They include the entire Danish resident population and their respective employers. The dataset, which has been used extensively in management research (e.g., Grimpe, et al., 2019; Kaiser, et al., 2018; Rocha and van Praag, 2020), allows us to examine all women aged 20-65 who are professionals or managers in their workplace. Women in these job functions are likely to have agency in their employer choices compared to individuals in low-skilled work which allows us to test our theoretical predictions. Our definition of professionals and managers is based on the Danish "DISCO" codes, a variation of the International Standard Classification of Occupations (ISCO) published by the International Labour Organization, where we consider individuals whose first DISCO digit is 1 "Management", 2 "Work requiring the highest level of knowledge in the field" or 3 "Work requiring intermediate knowledge in the field".[6] While the data from Statistics Denmark would in principle be available since 1980, a break in the unique firm identifier allows us to use the data from 2000 to 2016 only, the latest year of data availability for research.

[6] The Danish "DISCO" codes are described here: https://www.dst.dk/da/Statistik/dokumentation/nomenklaturer/disco, and translated to English here: https://www.ilo.org/public/english/bureau/stat/isco/docs/groupdefn08.pdf.

Following Sofka, et al., 2022, we define foreign MNC subsidiaries using data from Experian A/S, a credit rating agency that tracks the ownership structure of firms in Denmark. We classify firms as foreign MNC subsidiaries if foreign ownership is a majority, i.e., at least 50%. This is a conservative definition because firms with foreign minority stakes end up in the control group together with firms with no foreign ownership. Within the data we use for estimation, 70% of all firms with any foreign ownership are in fact majority owned by an MNC. In a robustness check, we restrict our sample to majority-owned MNCs versus domestic firms with no foreign ownership.

Consistent with our theoretical framework, we focus on women who leave their domestic employer to change jobs between 2000 and 2016. By focusing on job leavers, we are not only consistent with our theory, but also avoid identification problems associated with the fact that the decision to leave the current employer is unlikely to be random. Moreover, the decision to leave one's current employer may not be voluntary, i.e., employees may be dismissed. While the register data do not provide a direct way to identify forced versus voluntary job changes, we run a robustness check for which we only consider women who experienced a wage increase after a job change, assuming that forced layoffs would typically imply a lower wage for employees in their next job and find results fully consistent with our main model. Finally, we lag the independent variables by one year relative to the dependent variable since our aim is to predict an individual's occupational choice in the following year based on data from the year of the current employment. For this reason, we lose the last year of data, which in turn means that our data effectively cover the years 2000 to 2015.[7]

Measures

Dependent variable. Our dependent variable is a dummy variable indicating that a female employee decided to leave her domestic employer and to join a foreign MNC subsidiary in the next year, with

[7] It is worth noting that Danish labor law requires employers to officially report personnel changes. Our dataset is based on information collected as of November 30th of each year. This specific reporting date is chosen to mitigate any potential distortions due to temporary employment arrangements, such as sabbaticals or short-term fluctuations in staffing.

switches to another domestic employer being the control group. We acknowledge that this measure of employer attractiveness covers only the realized preference of women when they switch to a more attractive employer. The perceived attractiveness of potential employers may be much higher or broadly shared even when women did not try to apply for jobs with those employers. Such perceptional measures are more usefully addressed via surveys which can necessarily only cover limited samples (e.g., Turban and Greening, 1996). In contrast, our measure is theoretically relevant and practically meaningful because it covers the *realized* actions of women for changing jobs which is likely to reveal their original preferences and which may well contrast *hypothetical* job switches potentially elicited by survey data. In empirical terms, our measure therefore induces a *downward* bias in the estimation results because women who find foreign MNC subsidiaries attractive but still opt to join another domestic firm become part of the control group. In that sense, focusing on realized job changes generates more conservative estimates.

Explanatory variables. The main independent variable related to Hypothesis 1 is gender wage discrimination, which differs from the "raw" gender wage gap typically reported in aggregate statistics. We use the Kitagawa-Oaxaca-Blinder decomposition (Kitagawa, 1955; Blinder, 1973; Oaxaca, 1973), a standard approach for estimating unexplained gender wage differences (e.g., Blau and Kahn, 2017; Kunze, 2017), to decompose the observed wage gap into an explained part that is driven by the different characteristics of men and women, and an unexplained part that cannot be explained by observable characteristics and instead indicates taste-based or statistical wage discrimination. We estimate the degree of gender wage discrimination by running hourly wage regressions separately for all men and women employed in domestic firms, obtaining the coefficient vector for both groups, and multiplying the differences in the coefficient vectors by the respective explanatory variables for women. More formally, we estimate the gender wage gap as $X_i^f\left(\hat{\beta}^m - \hat{\beta}^f\right)$, where X_i^f denotes the matrix of explanatory variables used in the wage equation with respect to woman *i* and where $\hat{\beta}^m$ and $\hat{\beta}^f$ denote the estimated coefficient vectors from the wage regressions for men and women, respectively. Following Grimpe, et al., 2019, who estimate a wage equation using Danish register data, the elements of X_i^f include (i) personal characteristics, e.g., marital status,

number of children, the presence of at least one child aged three or younger and Danish citizenship, (ii) human capital, e.g., a set of dummies for educational attainment, a set of dummies for occupation and work experience, as well as tenure and their squares, (iv) employer characteristics, e.g., industry, geographic location, firm age, the log number of employees and its square, the share of highly educated employees in the total workforce, and the average hourly wage of the prior (domestic) employer (excluding the individual's own wage). Hourly wages are adjusted on the basis of the Consumer Price Index.

Our estimation of the unexplained part, and thus of gender wage discrimination, is based on a total of 1,412,557 women-year observations, 259,355 unique women employed in 51,975 unique domestic firms, while the corresponding figures for men are 2,198,911, 335,855 and 86,427, respectively. The estimated coefficient vectors $\hat{\beta}^m$ and $\hat{\beta}^f$ are generated via OLS where we winsorize hourly wages by discarding the 1% lowest and the 99% highest hourly wages. Since the coefficient estimates obtained for calculating the wage differential are not of primary interest, we relegate these results to the appendix (Table A1). We predict the unexplained wage differential for each female employee in our data. This unexplained wage differential is positive throughout almost the entire wage distribution. Figure A1 displays kernel density estimates of the percentage unexplained wage differential distribution calculated by applying the Kitagawa-Oaxaca-Blinder decomposition described above.[8] These substantial wage disadvantages likely result from gender wage discrimination, in line with our theorizing. The shape of the distribution provides a first indication for how heterogeneous gender wage discrimination is in domestic employment which is at the heart of our theorizing.

Hypotheses 2 and 3 are interactions with the estimated gender wage discrimination. For hypothesis 2, we use the average hourly wage difference in percent between foreign MNC subsidiaries and domestic firms at the sector, geographic region, and year level. Given that Denmark is a geographically compact country, these ten regions (Copenhagen, greater Copenhagen, North Jutland, East Jutland, South Jutland,

[8] Note that the kernel density estimates are based on a moving average of 20 observations due to anonymity requirements set by Statistics Denmark.

West Jutland, North Sealand, East Sealand, West- and South Sealand, Funen) are a useful approximation for the local labor markets in which wage differences become observable. For hypothesis 3, we use a dummy variable which is coded one if the share of women in the management team of foreign MNC subsidiaries is greater than the share of women in the management team of domestic firms (and zero otherwise), again at the sector, region, and year level. We define management teams based on the first digit occupation code, assuming that female management team members are likely to be visible in the small regional and sector-specific labor markets we consider.

Control variables. In addition to these three variables and interactions of primary interest, we control for a wide range of variables that may have an influence on whether a female professional or manager leaves her current domestic employer for an MNC or another domestic employer. To the best of our knowledge, prior research has not established a standard set of control variables for the attractiveness of foreign MNC subsidiaries as employers. Hence, we adopt the model of Grimpe, et al., 2022, who study the retention of IT professionals in foreign MNC subsidiaries which can usefully proxy employer attractiveness. Most importantly, we control for the set of personal characteristics and human capital-related variables used in the gender wage equations described above, and additionally for the women's wage level relative to her peers in the same organization. We measure the relative position using dummy variables indicating wage quantiles that indicate the individual's position. This variable accounts for differences in the focal woman's human capital that is unobservable to us but captured by her former employer based on her position in the wage distribution of the firm.

Further, we account for labor market differences in terms of whether the current region of residence is the same as that of the current employer and whether the individual and the current employer reside in the Copenhagen metropolitan area. Moreover, we include the set of employer characteristics used in the gender wage gap decomposition, as well as the number of hierarchal levels scaled by the number of employees, the average number of years of tenure in the workplace, and the proportion of women and foreigners among the professionals and managers in the workplace.

Estimation approach

We use a binary probit model to estimate the likelihood that women employed in domestic firms will leave their current employer. Because we model changes in employer identity from year to year, we cannot estimate fixed effects models that would account for time-invariant individual heterogeneity. Estimating random effects models could lead to efficiency gains, but is computationally burdensome, especially in conjunction with block-bootstrapped standard errors. Since one of our explanatory variables, the gender wage discrimination, is the result of an estimation itself, the variance-covariance matrices of our probit estimations are no longer block-diagonal, leading to the "generated regressor" problem, and block-bootstrapped standard errors have to be applied (Wooldridge, 2007). Standard errors are also clustered at the prior employer level, as observations are likely to be more correlated within the same workplace than with observations employed elsewhere.

RESULTS

Our starting point is Table 1 displaying the descriptive statistics of our sample, i.e., all female professionals and managers employed by a domestic firm who will leave their employer in the subsequent year.[9] On average, 11,185 women, or 9.1% of all 123,343 job-mobile women in our data, leave their current domestic employer each year to join a foreign MNC subsidiary. To put these figures into perspective, the overall average job mobility in Denmark was 15.1% in 2012, 14.8% for women and 15.9% for men (Kristoffersen, 2016), and labor mobility is generally high by international standards (Eriksson and Westergaard-Nielsen, 2007).

[9] Information pertaining to values that can be linked directly to an individual, such as minimum, maximum, and median values, may not be disclosed due to the confidentiality regulations implemented by Statistics Denmark.

Turning to our hypothesis-related variables, the overall gender wage discrimination is 14.4%, 16.0% for those who leave to join a foreign MNC subsidiary and 14.3% for those who leave to join another domestic firm in the following year.[10] The difference between the hourly wages paid by MNCs and domestic firms in the local labor market, i.e. at the industry, region, and year level, is 9.3% and very similar for those who leave for foreign MNCs and domestic firms. This descriptive number provides an initial indication that wage differences between foreign MNC subsidiaries and domestic firms are meaningful in regional labor markets and therefore likely to be observed by women changing jobs. While foreign MNCs do pay more than domestic firms, they rarely have more women in top management than domestic firms in the same industry, region, and year. This difference between foreign MNCs and domestic firms is positive only 0.2% of the time. Yet, this fact also implies that foreign MNCs with a considerably higher share of female top managers are likely to stick out and convey observable information about social deviance by foreign MNCs with regards to female-friendly workplaces.

The average mobile female employee in our data has been in the labor market for 19.3 years, including 2.8 years at the domestic employer that she is leaving. Slightly less than one percent of the women in our sample are a member of top management, while 6.6% are managers and the rest are professionals. The average level of education is high with 17% holding an MA and 13% holding a BA degree. Almost half of the women in our sample are married with an average of 1.1 children, 31% have a child three years old or younger, almost all have Danish citizenship and 31% live in the municipality in which they work. The average size of their prior domestic employers in our sample is quite high with an average of 502 employees compared to the Danish average of 10.[11] The high average firm size in our sample is due to the inclusion of a number of very large firms. Hence, the inclusion of firm size as control variables in both gender wage gap and 'next employer choice' estimation models is warranted.

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[10] The gender wage discrimination in our sample differs from the aggregate official statistics reported before due to our sample restriction on professionals and managers, highlighting that women in these occupational groups suffer even higher wage discrimination.

[11] See https://www.dst.dk/da/Statistik/emner/erhvervsliv/erhvervslivets-struktur/firmaer-og-koncerner, accessed 6 October 2023.

The differences between women who move to an MNC and those who move to a domestic firm are small for almost all variables including our three focus variables. However, there are three exceptions: women who are top managers at their prior domestic employer are up to 42% more likely to move to another domestic firm, while they are 16% less likely to make the same transition if their place of employment and residence coincide. Women are more likely to move to a foreign MNC if they are foreign nationals, hold a PhD, or if there are relatively more women than men in the top management team of their prior employer. These differences are 43%, 25% and 15% respectively.

[Insert Table 1 about here]

Table 2 shows the pairwise correlations between all variables. These correlations are generally moderate, except for variables such as the number of children and having young children, which are conditional on each other, or those variables that strongly influence gender wage discrimination, such as marital status, number of children, or being a manager. However, the mean variance inflation factor is 1.53, with the highest individual value being 3.76, well below the commonly applied threshold of 10, as recommended by Belsley, et al., 1980.

[Insert Table 2 about here]

Table 3 presents the results of our binary probit regression analysis, which examines the probability of a woman leaving a domestic firm and joining a foreign MNC subsidiary in the following year. In Model 1, we include only the estimated gender wage discrimination and all control variables, while Model 2 and Model 3 extend the analysis to include interactions with relative hourly wages paid by foreign MNC subsidiaries relative to domestic firms in the local labor market (Hypothesis 2) and whether foreign MNC subsidiaries have a higher share of female managers than domestic firms in the labor market (Hypothesis 3). Model 4 includes all moderation effects simultaneously. Consistent with Hypothesis 1, we find a statistically significant positive effect of gender wage discrimination on the likelihood of leaving one's current employer and joining a foreign MNC rather than another domestic firm (point estimate of 0.056, p-value<0.000). This effect is consistent across all models, so Hypothesis 1 cannot be rejected.

Hypothesis 2 suggests that the effect of gender wage discrimination is larger in local labor markets where foreign MNC subsidiaries pay wage premiums relative to domestic firms. We find strong evidence that this is the case. In both Model 2, which includes only this interaction, and in the full Model 4, the point estimates are statistically significant and positive, leading us to conclude that Hypothesis 2 cannot be rejected. Hypothesis 3 suggests that the effect of gender wage discrimination is larger in local labor markets where foreign MNC subsidiaries employ more female top managers than domestic firms. Both Model 3 and Model 4 provide evidence in support of this hypothesis as the point estimates are positive and statistically significant. Therefore, we cannot reject Hypothesis 3.

[Insert Table 3 about here]

The coefficient estimates reported in Table 3 do not translate directly into marginal effects, as is generally not the case for binary choice models or other nonlinear models, in contrast to the OLS model. To give economic meaning to our coefficient estimates, we compute the conditional probabilities of leaving the current domestic employer to join a foreign MNC subsidiary versus another domestic firm, conditional on variations in gender wage discrimination (and the two interaction terms). These probabilities depend not only on the coefficient estimates but also on the values of all the variables included in our estimation. Therefore, we fix the values of all variables except for the gender wage discrimination at their respective means. For the interaction with the MNC wage premium in the local labor market, we fix the variable at a "high" value (i.e., the 75% percentile) and a "low" value (i.e., the 25% percentile).[12] For the interaction with the dummy variable indicating a relatively higher share of women in the top management teams of foreign MNC subsidiaries, we consider both of its values, 0 and 1.

Figure 1 plots the elasticity of an individual's propensity to leave the current domestic employer for an MNC with respect to a change in the unexplained gender wage discrimination. The figure consists of four sub-figures in which we plot the elasticities under the four different labor market level combinations

[12] We actually consider the 40 observations moving average of both percentiles and take the respective means to comply with Statistics Denmark's data protection policies.

of the wage premiums and the relative share of women in management. The figure reflects the results of the main model, Model 4 in Table 3, that gender wage discrimination is associated with a clear increase in the propensity to leave the current domestic employer for an MNC and that this increase decreases as gender wage discrimination increases. The shape of the elasticities across the distribution of gender wage discrimination is positively moderated by both the wage premiums and the dummy variable for the relative share of women in management. It turns out that the MNC wage premiums in the local labor market are a relatively stronger predictor of joining an MNC subsidiary as a result of gender wage discrimination than the share of female managers at MNCs in local labor markets. The individual sub-figures in Figure 1 include both the estimated elasticities and the corresponding 95% confidence intervals.

[Insert Figure 1 about here]

Regarding our control variables, we find a number of statistically significant associations. In particular, we observe that the probability of leaving the current domestic employer to join an MNC decreases with the following factors: being married, the number of children, the number of young children, having an MA or a PhD degree, being a member of the top management team, working in a workplace with many highly educated employees, and tenure.

Additional analyses and robustness checks

We theorize on the employer attractiveness of foreign MNCs for women who face gender wage discrimination in domestic employment and expect higher wages when they join foreign MNCs. This does not automatically imply that women changing jobs will end up with higher wages. In an additional analysis, we investigate whether women who decided to join an MNC subsidiary actually earn higher wages compared to those who decided to join another domestic firm. We find the average hourly wage a female employee receives after moving to a foreign MNC is 235 DKK (about 33 USD) compared to an average wage of 221 DKK (about 31 USD) if the employee had joined a domestic firm: This 6.3% salary difference is economically and statistically significant, lending support to our theoretical assumption that women leave their current job at a domestic employer as a result of wage discrimination in the expectation that the job move to a foreign MNC subsidiary pays off and helps to mitigate wage discrimination.

Moreover, we perform several robustness checks reported in Table A2 in the appendix to test the sensitivity of the empirical findings. We focus on (a) heterogeneity among foreign MNCs, (b) heterogeneity among women and their job changes, and (c) the choice of estimator for our main model.

Focusing first on heterogeneity among foreign MNCs, we explore two dimensions which could influence the findings. In Model R1, we drop all firms with foreign minority ownership, which we had treated as domestic firms in our main model estimations. The coefficient estimates remain qualitatively and even quantitatively almost exactly the same which not only indicates the robustness of our results but also provides evidence that minority-owned firms are not very different from domestic firms without foreign ownership. However, the precision with which we measure our estimates decreases, possibly due to the 5.3% reduction in sample size. Separately, we estimate additional multinomial logit models (result tables available upon request) distinguishing between foreign MNCs headquartered in countries neighboring Denmark (Sweden, Norway, Germany, UK) and more distant global headquarters countries. One could assume that the potential concerns about liabilities of foreignness might be less pronounced for foreign MNCs from geographically and culturally close countries, such as Sweden. Then again, expectations for social deviance with regard to gender equality may also be limited for foreign MNCs from neighboring countries which are similar. Our findings show the same results for both groups of foreign MNCs, i.e., the degree of gender wage discrimination in domestic employment makes women equally likely to join foreign MNCs headquartered in neighboring countries as well as more distant ones. Apparently, the distinct factor is to move from domestic to foreign employers, not necessarily the distance to foreign headquarters.

In the subsequent set of robustness tests, we focus on differences among women and their job changes. In Model R2, we consider only female job movers whose hourly wage increased after they changed employers to proxy for voluntary rather than forced job changes. Again, the estimation results are qualitatively and quantitatively very similar to our main results, albeit for a smaller sample and therefore with less precision. In a separate estimation, we test whether the hypothesized effects differ based on the nationality of women in our sample since foreign nationals may perceive foreignness as an employer

attribute differently. However, we find no significant differences for women who are not Danish nationals (tables available upon request). Finally, the ability of women to spot gender based wage discrimination in domestic employment is central to our theoretical reasoning. Our empirical setting allows us to explore how widely this assumption holds based on a regulatory change in Denmark requiring salary transparency after 2006 and with a threshold for firm size (above 35 employees). Accordingly, we split the data into a pre-2006 and a post-2006 sample and rerun our main regressions. The post-reform coefficient is 0.059 and very precisely estimated while the corresponding pre-reform coefficient is smaller, 0.05 and also very precisely estimated, but the difference between the two coefficients is statistically insignificant (p-value 0.34). To scrutinize the effect of the wage transparency reform further, we first split our data into firms below and above the 35 employees threshold and re-run our main estimation for the post 2006 data only, and second focus on firms just above and below the 35 employees threshold, e.g. firms with more than 25 but below 35 employees and firms with 35 or more employees but with less than but below 45 employees – again on the post-2006 data. The last approach constitutes a simple form of a "regression discontinuity design" (e.g. Imbens and Lemieux, 2008). Overall, we find consistent findings for the effect of gender wage discrimination on the likelihood of a women changing jobs choosing a foreign MNC subsidiary as a new employer in both settings, i.e., when gender wage discrimination is more easily observable (after 2006 and in firms with more than 35 employees) as well as in settings in which observability has not changed. This makes us confident that women can assess gender based wage discrimination.

For the last step of consistency check restimations, Model R3 shows the results of a random effects model that allows for some degree of unobserved heterogeneity. Given that most women make only a single transition between employers (which makes fixed effects estimation impossible), we expect that random effects will not affect our coefficient estimates but will increase efficiency, e.g., the precision with which our coefficients are estimated. Indeed, the random effects model shows estimation results that are consistent with our main results. We find that the efficiency increases substantially which in turn implies that the standard error estimates of our main model are an upper bound and that our main estimates are more conservative.

Overall, the robustness checks show that our results are consistent across specifications. In addition, the random effects model estimates suggest that the parameters of our main model are conservatively estimated.

DISCUSSION

Our study aims to shed new light on the role that foreign MNC subsidiaries can play as employers in overcoming gender-based wage discrimination in host countries, a persistent grand challenge for women's economic opportunity in many countries (Kunze, 2017). We adopt the perspective of women, focusing on how they assess the attractiveness of foreign MNCs as potential employers relative to domestic firms. This assessment of foreignness is not trivial because it implies a tradeoff between the familiarity and legitimacy of domestic employers (Zaheer, 1995; Zaheer and Mosakowski, 1997) and the realization that foreign MNC subsidiaries offer more management positions for women (Siegel, et al., 2018) or pay them higher wages in some host countries (van der Straaten, et al., 2020). We theorize that this tradeoff is a function of the extent to which women experience gender-based wage discrimination in domestic employment. When this type of discrimination is high, the foreignness of potential employers becomes an asset rather than a liability in terms of employer attractiveness for women because foreign MNCs are comparatively more likely to deviate from the social norms and beliefs that underpin gender-based wage discrimination in domestic firms (Siegel, et al., 2018). Accordingly, we find that as women face increasingly high levels of gender-based wage discrimination in domestic employment, they will be more likely to move to foreign MNC subsidiaries when they change jobs.

Furthermore, we isolate two boundary conditions from the informational environment of women in domestic employment for our main effect prediction. In this regard, we show that (a) the observability of wage premiums at foreign MNCs in close geographic proximity and (b) the relative prevalence of women in the top management teams of foreign MNC subsidiaries in labor markets as an indicator of the willingness of foreign MNCs to deviate from male-dominated social beliefs, make foreign MNC subsidiaries more attractive employers for women facing gender-based wage disadvantages.

These findings have implications for academic research along two primary dimensions. First, we advance extant research that has adopted an MNC perspective on the disadvantages of women in host countries. From this perspective, foreign MNCs are willing to deviate from host country social beliefs, hire more female managers, and experience performance benefits (Siegel, et al., 2018). Similarly, they apply MNC-wide compensation policies and consider reputational risks, resulting in higher wages for women compared to domestic firms in some host countries (van der Straaten, et al., 2020). However, this perspective remains incomplete if it does not consider whether women want to work for foreign MNC subsidiaries in the first place. Therefore, we advance this stream of research by isolating the conditions under which women consider foreign MNCs as attractive employers, even when domestic employers are comparatively more familiar and legitimate. We argue that gender-based wage discrimination in domestic employment turns the foreignness attribute of MNCs from a liability into an asset. By understanding the preferences of disadvantaged women, theory on MNCs as part of the solution to the grand challenge of equal economic opportunities for women becomes more realistic and actionable. It treats women as active decision makers who respond to wage disadvantages by adjusting their employer preferences. As such, the presence of MNCs affects women's labor supply, with foreignness emerging as a distinct incentive to work for MNCs when domestic firms are unwilling to pay them fair wages.

Second, the distinct disadvantages of foreign MNC subsidiaries relative to domestic firms are at the heart of the theory on liabilities of foreignness as the result of deficits in legitimacy or familiarity (Zaheer, 1995; Zaheer and Mosakowski, 1997; Mezias, 2002b). The key to dealing with these liabilities is often times seen in MNCs changing their host country conduct (e.g., Sofka, et al., 2022). However, the central comparison group for determining the degree of liability of foreignness is the conduct of domestic firms (Mezias, 2002a) but their relative disadvantages are much less understood. We show how discriminatory practices by domestic firms turn foreignness into an asset for some host country stakeholders, in our case discriminated against female employees. While research on this paradoxical situation of foreignness is beginning to emerge (Edman, 2009; Un, 2011; Siegel, et al., 2018), the heterogeneous assessment of foreignness among host country stakeholders is novel for our theorizing. We focus on gender-based wage

discrimination among women in domestic employment, but we suspect that these conditions are much more prevalent in host countries and can be systematically identified in future research. It offers a fruitful avenue for advising foreign MNC subsidiaries in the host country, because sub-populations in the host country can be identified that favor foreign MNCs over domestic firms. As a result, the theory on liabilities of foreignness becomes increasingly actionable, e.g., by focusing on host country customers or suppliers that are systematically neglected by domestic firms, e.g., due to social norms or beliefs.

The contributions to academic research have implications for the host country practices of MNCs. First, our results suggest that foreign MNCs benefit from presenting host country policies that are favorable to female employees, e.g., in terms of promotions. They can lead to an increased pool of female candidates applying for jobs in foreign MNC subsidiaries when women want to escape wage discrimination in domestic employment. These promotions should be targeted to industries and regions where domestic firms tend to favor men over women in providing career opportunities. Second, foreign MNCs can benefit from a thorough analysis of host country labor markets, not just in terms of the availability of skilled labor. Rather, a comprehensive analysis should include human resource analytics that capture employees of domestic firms who are disadvantaged and who may look favorably on career opportunities with foreign MNCs. Hence, the accessible pool of human capital in a host country labor market may be large in labor markets where domestic employers tend to offer unequal opportunities to some groups of employees, such as women.

LIMITATIONS AND FUTURE RESEARCH

In conducting this study, we learn about a number of limitations of the present research project. These limitations may provide fruitful avenues for future research. They can be grouped into four broad categories.

First, we infer employer attractiveness from the employer choices of women changing jobs in Denmark. The comprehensive data allow us to observe actual job changes, arguably the most consequential outcome of job mobility for domestic firms and foreign MNC subsidiaries. Then again, the population of women considering a job change is probably much larger. Future studies using survey or experimental

research designs may shed more light on the information availability and decision making of women facing gender-based wage discrimination, even if the breadth of employer settings is limited. We suspect that women experience wage discrimination in different or potentially subtle ways and selectively process information about potential future employers.

Second, we theorize about the relative employer attractiveness of foreign MNC subsidiaries and domestic firms because they may provide useful pathways for overcoming the grand challenges of women's economic disadvantages in a country. Our additional estimations do not reveal differences between foreign MNC subsidiaries when focusing on headquarters locations. Then again, we suspect that there is more heterogeneity among foreign MNC subsidiaries in terms of their attractiveness as employers that dedicated studies with dyadic employer-employee approaches might be able to isolate and contextualize our findings.

Third, we explicate two specific boundary conditions for the mechanisms underlying our theorizing. Future studies could consider other labor market characteristics that underlie social beliefs, the persistence of labor market disadvantages, and how they can be overcome with the help of foreign MNCs.

Finally, our empirical setting is Denmark, presumably one of the most conservative settings for testing gender-based wage discrimination because of the extensive political attention paid to overcoming this problem. We suspect that the effects would be stronger in host countries where this is not the case, and future studies could incorporate country-level mechanisms into our theory.

CONCLUSION

Our study adopts the unique vantage point of women, who face varying degrees of wage discrimination in domestic employment. Taking this heterogeneity into account, foreign MNC subsidiaries can become attractive employers even when domestic firms are comparatively more familiar and legitimate. Hence, we offer a new perspective on the grand challenge of women's unequal economic opportunities by making them active decision makers who value foreignness because foreign MNCs allow them to escape their home country's social norms and beliefs that favor men. As a result, they can make career choices that mitigate their disadvantages and benefit the foreign MNC's search for qualified employees.

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TABLES AND FIGURES

Table 1. Descriptive statistics

	All employees		Leaving to… …an MNC		…a domestic firm	
	Mean	**St.dv.**	**Mean**	**St.dv.**	**Mean**	**St.dv.**
Leaves for MNC next year	0.091	0.287	1.000	0.000	0.000	0.000
Gender wage discrimination (in %)	14.446	6.425	15.985	6.265	14.293	6.420
Difference MNC/dom. wages (in %)	0.366	0.482	0.415	0.493	0.361	0.480
More women in MNC management(d)	0.098	---	0.097	---	0.098	---
Married (d)	0.481	---	0.482	---	0.481	---
# of children	1.069	---	1.051	---	1.071	---
At least one child < 3 years (d)	0.316	---	0.321	---	0.316	---
Foreign citizen (d)	0.004	---	0.005	---	0.004	---
Same workplace/residence (d)	0.315	---	0.267	---	0.320	---
Workplace/residence Copenhagen (d)	0.113	---	0.111	---	0.113	---
Years of working experience	19.3	7.2	19.4	7.0	19.3	7.2
Years of tenure	2.8	2.9	2.8	2.8	2.8	2.9
Primary school (d)	0.048	---	0.051	---	0.048	---
High school (d)	0.121	---	0.114	---	0.121	---
Short vocational training (d)	0.110	---	0.127	---	0.108	---
Medium long vocational training (d)	0.147	---	0.133	---	0.148	---
BA (d)	0.131	---	0.138	---	0.130	---
MA (d)	0.172	---	0.154	---	0.174	---
PhD (d)	0.011	---	0.013	---	0.011	---
TMT member (d)	0.006	---	0.004	---	0.007	---
Management team member (d)	0.066	---	0.077	---	0.065	---
Manager (d)	0.395	---	0.341	---	0.400	---
2nd quantile in hourly wage distribution (d)	0.236	---	0.234	---	0.236	---
3rd quantile in hourly wage distribution (d)	0.202	---	0.207	---	0.201	---
4th quantile in hourly wage distribution (d)	0.189	---	0.191	---	0.188	---
Firm age	21.7	22.3	21.6	22.3	21.7	22.3
# employees	502	1364	450	1207	508	1379
Share highly educated employees	0.280	0.249	0.270	0.228	0.281	0.251
# hierarchy levels/# employees	0.252	0.308	0.245	0.302	0.253	0.309
Average years of tenure	3.458	2.178	3.439	2.119	3.459	2.184
Share foreign citizens	0.004	0.030	0.005	0.030	0.004	0.030
# obs.	123,343		11,185		112,158	

Table 2. Pairwise correlations (n = 123,343)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1 Gender wage discr. (in %)	1.00																												
2 Difference MNC/dom. wages (in %)	0.14	1.00																											
3 More women in MNC mgt. (d)	0.03	0.02	1.00																										
4 Married (d)	0.47	-0.01	-0.02	1.00																									
5 # of children	0.39	0.00	-0.01	0.52	1.00																								
6 Has child under 4 years (d)	0.32	-0.03	0.00	0.32	0.51	1.00																							
7 Foreign national (d)	-0.02	0.00	0.01	-0.01	-0.01	0.00	1.00																						
8 Same workplace/residence (d)	-0.22	0.06	-0.03	-0.08	-0.08	-0.06	0.00	1.00																					
9 Workplace/residence Copenhagen (d)	-0.22	-0.16	0.05	-0.18	-0.19	-0.06	0.01	0.53	1.00																				
10 Years of working experience	0.19	-0.02	0.00	0.40	0.35	-0.01	-0.04	-0.06	-0.15	1.00																			
11 Years of tenure	0.17	-0.03	0.01	0.19	0.16	0.07	-0.01	-0.04	-0.06	0.28	1.00																		
12 Primary school (d)	-0.04	0.04	0.00	-0.01	-0.01	-0.04	0.01	-0.01	-0.02	0.00	-0.03	1.00																	
13 High school (d)	-0.02	0.04	0.01	-0.17	-0.13	-0.12	0.02	0.03	0.04	-0.25	-0.11	-0.08	1.00																
14 Short vocational training (d)	0.14	-0.03	-0.01	0.05	0.06	0.00	0.00	-0.03	-0.05	0.11	0.02	-0.08	-0.13	1.00															
15 Medium long vocational training (d)	0.04	-0.01	0.01	0.04	0.02	0.05	-0.01	-0.01	-0.02	0.03	0.08	-0.09	-0.15	-0.15	1.00														
16 BA (d)	-0.10	-0.09	0.00	-0.01	-0.02	0.04	-0.01	0.02	0.08	-0.04	0.02	-0.09	-0.14	-0.14	-0.16	1.00													
17 MA (d)	-0.19	-0.10	0.00	-0.03	-0.05	0.02	0.00	0.04	0.11	-0.09	-0.01	-0.10	-0.17	-0.16	-0.19	-0.18	1.00												
18 PhD (d)	0.08	-0.02	0.00	0.01	0.02	0.01	-0.01	0.00	0.00	0.01	0.01	-0.02	-0.04	-0.04	-0.04	-0.04	-0.05	1.00											
19 TMT member (d)	-0.01	-0.01	0.00	0.03	0.02	-0.01	0.00	0.01	0.00	0.07	0.01	0.01	0.00	0.00	0.00	0.03	-0.01	-0.01	1.00										
20 Management team member (d)	-0.01	0.06	0.01	0.05	0.04	-0.01	0.00	-0.02	-0.03	0.11	0.03	0.03	-0.01	0.00	0.01	0.01	-0.03	-0.01	0.30	1.00									
21 Manager (d)	-0.52	-0.16	-0.01	-0.01	-0.03	0.04	0.00	0.02	0.12	-0.06	0.04	-0.10	-0.04	-0.09	0.08	0.14	0.27	0.00	-0.06	-0.22	1.00								
22 2nd wage quantile (d)	0.06	-0.01	0.00	0.00	0.00	0.02	0.00	-0.04	0.01	0.00	0.05	-0.01	-0.03	0.01	0.02	-0.02	-0.01	0.01	-0.03	-0.05	-0.01	1.00							
23 3rd wage quantile (d)	0.04	-0.02	0.00	0.05	0.04	0.03	0.00	-0.04	0.00	0.10	0.08	-0.02	-0.05	0.00	0.05	0.04	0.02	0.00	-0.01	0.01	0.07	-0.28	1.00						
24 4th wage quantile (d)	-0.08	0.00	0.00	0.07	0.06	0.00	-0.01	0.04	0.00	0.16	0.04	-0.02	-0.04	-0.02	0.03	0.06	0.06	0.00	0.07	0.14	0.08	-0.27	-0.24	1.00					
25 Firm age	0.00	-0.15	-0.02	0.03	0.02	0.00	-0.01	-0.07	-0.01	0.07	0.16	-0.03	-0.04	0.00	0.03	0.01	0.02	0.01	0.00	0.01	0.06	0.03	0.01	-0.02	1.00				
26 ln(# employees)	0.19	-0.19	-0.02	0.03	0.02	0.05	-0.01	-0.26	-0.01	0.03	0.18	-0.02	-0.05	0.00	0.02	0.04	0.00	0.02	-0.03	-0.02	0.07	0.11	0.09	-0.09	0.31	1.00			
27 Share highly educated employees	-0.19	-0.27	0.00	-0.04	-0.04	0.02	0.00	0.06	0.19	-0.04	0.01	-0.10	-0.12	-0.10	-0.09	0.29	0.39	0.06	0.00	-0.06	0.30	-0.01	0.01	0.03	0.02	-0.02	1.00		
28 # hierarchy levels/# employees	-0.22	0.14	0.00	-0.02	-0.01	-0.05	0.01	0.24	0.01	-0.01	-0.19	0.03	0.06	0.00	-0.06	-0.04	-0.02	-0.01	0.00	-0.05	-0.13	-0.14	-0.14	0.10	-0.24	-0.79	0.01	1.00	
29 Average years of tenure	0.04	-0.07	0.03	0.07	0.06	0.01	-0.01	-0.07	-0.05	0.18	0.50	-0.06	-0.08	-0.01	0.07	0.03	0.03	0.02	0.01	-0.01	0.09	0.05	0.01	-0.06	0.33	0.36	0.04	-0.35	1.00
30 Share foreign citizens	-0.02	0.00	0.01	-0.01	-0.01	0.00	0.46	0.00	0.02	-0.03	-0.01	0.02	0.02	-0.01	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	-0.01	-0.02	0.00	0.01	-0.01

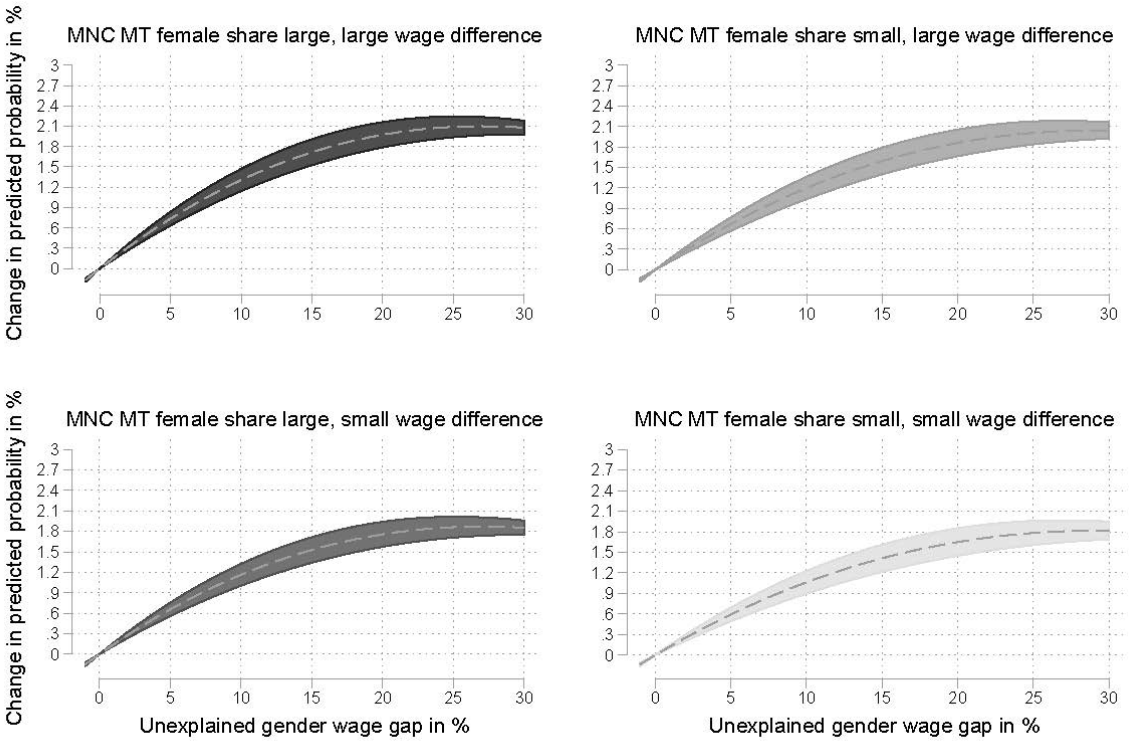
Table 3. Main results

	Model (1)	Model (2)	Model (3)	Model (4)
Gender wage discrimination (%)	0.058	0.054	0.055	0.052
	(0.000)	(0.000)	(0.000)	(0.000)
Gender wage discrimination (%)		0.035		0.034
* difference MNC/dom. wages (%)		(0.033)		(0.041)
Gender wage discrimination (%)			0.005	0.005
* more women in MNC management (d)			(0.038)	(0.043)
Difference MNC/dom. wages (in %)	-1.572	-2.121	-1.572	-2.094
	(0.000)	(0.000)	(0.000)	(0.000)
More women in MNC mgt. (d)	0.036	0.036	-0.047	-0.045
	(0.109)	(0.109)	(0.203)	(0.228)
Married (d)	-0.222	-0.220	-0.221	-0.220
	(0.000)	(0.000)	(0.000)	(0.000)
# of children	-0.055	-0.054	-0.054	-0.054
	(0.000)	(0.000)	(0.000)	(0.000)
Has child under 4 years (d)	-0.101	-0.100	-0.100	-0.100
	(0.000)	(0.000)	(0.000)	(0.000)
Foreign national (d)	0.245	0.244	0.245	0.244
	(0.005)	(0.005)	(0.005)	(0.005)
Workplace same as place of residence (d)	0.004	0.005	0.002	0.003
	(0.836)	(0.802)	(0.896)	(0.861)
Workplace/residence in Copenhagen (d)	-0.015	-0.020	-0.012	-0.017
	(0.582)	(0.471)	(0.666)	(0.548)
Years of working experience	0.007	0.007	0.007	0.007
	(0.120)	(0.143)	(0.119)	(0.141)
Years of working experience^2	0.000	0.000	0.000	0.000
	(0.049)	(0.057)	(0.047)	(0.055)
Years of tenure	-0.035	-0.034	-0.035	-0.034
	(0.000)	(0.000)	(0.000)	(0.000)
Years of tenure^2	0.001	0.001	0.001	0.001
	(0.000)	(0.000)	(0.000)	(0.000)
Primary school (d)	0.088	0.088	0.087	0.088
	(0.005)	(0.005)	(0.005)	(0.005)
High school (d)	-0.190	-0.189	-0.190	-0.189
	(0.000)	(0.000)	(0.000)	(0.000)
Short vocational training	-0.065	-0.064	-0.065	-0.064
	(0.006)	(0.007)	(0.006)	(0.007)
Medium long vocational training (d)	-0.163	-0.163	-0.162	-0.163
	(0.000)	(0.000)	(0.000)	(0.000)
BA (d)	0.007	0.006	0.007	0.006
	(0.771)	(0.808)	(0.788)	(0.822)
MA (d)	-0.090	-0.090	-0.090	-0.090
	(0.000)	(0.000)	(0.000)	(0.000)
PhD (d)	-0.217	-0.214	-0.215	-0.213
	(0.000)	(0.000)	(0.000)	(0.000)
TMT member (d)	-0.371	-0.371	-0.371	-0.371
	(0.000)	(0.000)	(0.000)	(0.000)
Management team member (d)	0.304	0.306	0.304	0.306
	(0.000)	(0.000)	(0.000)	(0.000)
Manager (d)	0.315	0.313	0.315	0.312
	(0.000)	(0.000)	(0.000)	(0.000)
2nd quantile in hourly wage distribution (d)	-0.016	-0.016	-0.016	-0.017
	(0.281)	(0.279)	(0.274)	(0.272)
3rd quantile in hourly wage distribution (d)	0.009	0.009	0.009	0.009

	Model (1)	Model (2)	Model (3)	Model (4)
	(0.597)	(0.608)	(0.606)	(0.616)
4th quantile in hourly wage distribution (d)	0.023	0.024	0.023	0.024
	(0.206)	(0.193)	(0.201)	(0.190)
Firm age	0.000	0.000	0.000	0.000
	(0.595)	(0.587)	(0.575)	(0.569)
ln(# employees)	0.052	0.054	0.052	0.054
	(0.036)	(0.031)	(0.035)	(0.030)
$\ln(\text{\# employees})^2$	-0.002	-0.002	-0.002	-0.002
	(0.422)	(0.386)	(0.408)	(0.375)
Share highly educated employees	-0.145	-0.145	-0.145	-0.144
	(0.000)	(0.000)	(0.000)	(0.000)
# hierarchy levels/# employees	0.442	0.446	0.441	0.446
	(0.000)	(0.000)	(0.000)	(0.000)
Average years of tenure	-0.015	-0.016	-0.015	-0.016
	(0.009)	(0.007)	(0.009)	(0.007)
Share foreign citizens	0.136	0.137	0.134	0.135
	(0.443)	(0.440)	(0.448)	(0.445)
# obs.	123,343	123,343	123,343	123,343
Pseudo R^2	0.070	0.071	0.070	0.070

p-value in parentheses; (d) dummy variable. The specifications also include sets of sector, region and year dummy variables.

Figure 1. Change in the conditional probabilities of changing jobs to a foreign MNC



APPENDIX

Table A1: Wage regressions calculating the gender wage discrimination

	Women	Men
Married (d)	0.050	0.093
	(0.000)	(0.000)
# of children	0.028	0.034
	(0.000)	(0.000)
Has child under 4 years (d)	-0.043	-0.024
	(0.000)	(0.000)
Foreign national (d)	0.042	0.058
	(0.000)	(0.000)
Workplace same as place of residence (d)	-0.013	-0.027
	(0.000)	(0.000)
Workplace and place of residence in greater Copenhagen (d)	-0.019	-0.022
	(0.000)	(0.000)
Years of working experience	0.021	0.016
	(0.000)	(0.000)
Years of working experience^2	-0.001	-0.001
	(0.000)	(0.000)
Years of tenure	0.012	0.016
	(0.000)	(0.000)
Years of tenure^2	0.000	0.000
	(0.000)	(0.000)
Primary school (d)	-0.035	-0.047
	(0.000)	(0.000)
High school (d)	-0.058	-0.031
	(0.000)	(0.000)
Short vocational training	0.020	0.035
	(0.012)	(0.000)
Medium long vocational training (d)	0.095	0.108
	(0.000)	(0.000)
BA (d)	0.130	0.126
	(0.000)	(0.000)
MA (d)	0.086	0.091
	(0.000)	(0.000)
PhD (d)	0.071	0.114
	(0.000)	(0.000)
TMT member (d)	0.097	0.102
	(0.000)	(0.000)
Management team member (d)	0.308	0.276
	(0.000)	(0.000)
Manager (d)	0.113	0.041
	(0.000)	(0.000)
Firm age	0.000	0.000
	(0.419)	(0.137)
ln(# employees)	-0.004	0.018
	(0.130)	(0.000)
ln(# employees)^2	0.000	-0.002
	(0.314)	(0.000)
Share highly educated employees	-0.025	-0.017
	(0.002)	(0.001)
ln(mean hourly wage)	0.494	0.602
	(0.000)	(0.000)
# obs.	1,412,557	2,198,911

	Women	Men
Adj. R^2	0.416	0.411

p-value in parentheses; (d) dummy variable. The specifications also include sets of sector, region and year dummy variables.

Table A2: Robustness check regressions

	Model (1)	Model (2)	Model (3)
Gender wage discrimination (%)	0.052	0.058	0.067
	(0.000)	(0.000)	(0.000)
Gender wage discrimination (%)	0.032	0.033	0.043
* difference MNC/dom. wages (%)	(0.053)	(0.097)	(0.013)
Gender wage discrimination (%)	0.005	0.006	0.006
* more women in MNC management (d)	(0.077)	(0.042)	(0.003)
Difference MNC/dom. wages (in %)	-1.938	-2.012	-2.640
	(0.000)	(0.000)	(0.000)
More women in MNC mgt. (d)	-0.036	-0.070	-0.062
	(0.326)	(0.118)	(0.089)
All control variables	Included	Included	Included
# of obs.	117,083	83,871	123,334
Pseudo R^2	0.070	0.077	0.070

Figure A1. Kernel density estimates of the hourly wage gap