

This thesis examines inter-industry wage differentials in the Czech Republic, using the European Union – Statistics on Income and Living (EU-SILC 2009) survey as its primary data source. Findings show that, even after controlling for the large number of workers and jobs characteristics, wage differences based on industry affiliation still persist. The variation among inter-industry wage differentials amount to approximately 5 percent, with a maximum wage level difference of 25 percent between the financial sector and agriculture. By applying two distinct methodologies, we tested the hypothesis that the inter-industry wage differentials are actually caused by a higher concentration of workers with better unmeasured abilities in higher-paying industries. Neither of the two methods rejected the unobserved ability hypothesis. Finally, our analysis also shows that the inter-industry wage differentials can be, to a certain extent, attributed to rent-sharing and different labour turnover costs across sectors.