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Equal pay for equal work and work of equal value: Responding to unequal pay

Background note*
'Responding to unequal pay'



Fondazione Giacomo Brodolini

Fondazione G. Brodolini

Viale di Villa Massimo 21, 00161 Roma

0039 - (0)6 - 44249625

info@fondazionebrodolini.it

<http://www.fondazionebrodolini.it/>

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1. Introduction

This background note presents the main data and information available in recent analysis on the issue of the gender pay gap. It intends to inform the debate for the session dedicated to *Equal pay for equal work and work for equal value: Responding to unequal pay at the conference* "equality between women and men".

2. The current situation of unequal pay between women and men

In spite of more than thirty years of equal pay legislation the gap between male and female earnings has remained remarkably persistent and is present across all Member States regardless of the overall level of female employment, welfare models or their own national histories of equality legislation (Vosko et al. 2009).

According to the definition used by the European Commission, gender pay gap represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.

Table 1: Gender pay gap in unadjusted form in % of the male gross hourly earnings (NACE Rev. 2 (Structure of Earnings Survey methodology)¹

	2002	2006	2007	2008	2009
EU27	:	17,7	17,6	17,5(p)	17,1(p)
Belgium	:	9,5	9,1	9	:
Bulgaria	18,9	12,4	12,4	13,6	15,3
Czech Republic	22,1	23,4	23,6	26,2	25,9
Denmark	:	17,6	17,7	17,1	16,8
Germany	:	22,7	23	23,2	23,2
Estonia	:	29,8	30,9	:	:
Ireland	15,1	17,2	17,1	17,1	15,7(p)
Greece	25,5	20,7	21,5	22	:
Spain	20,2	17,9	17,1	16,1	16,7
France	:	15,4	16,9	17,1	16,5(p)
Italy	:	4,4	5,1	4,9	5,5
Cyprus	22,5	21,8	23,1	21,6	21
Latvia	:	15,1	15,4	13,4	14,9
Lithuania	13,2	17,1	20	21,6	15,3
Luxembourg	:	10,7	12,5	12,4	12,5
Hungary	19,1	14,4	16,3	17,5	17,1
Malta	:	5,2	7,6	8,6	6,9
Netherlands	18,7	23,6	23,6	19,6	19,2
Austria	:	25,5	25,5	25,5	25,4

¹ This indicator has been defined as 'unadjusted', as it has not been adjusted according to individual characteristics that may explain part of the earnings difference. Such individual characteristics relate, among other things, to traditions in the education and career choices of men and women; to gender imbalance in the sharing of family responsibilities; to the fact that men and women still tend to work in different sectors; to part-time work, which is often highly feminised, etc. Recent advances in the methodology of assessing the extent of the gender pay gap have highlighted the resilience of the problem of disparity between women and men's pay, with women on average in Europe currently earning approximately 17,1% less per hour than men (Eurostat 2009). Table 1 shows that the range of gap extends from over 30% in Estonia (2007 data) with six Member States reporting gaps of 20% or more in 2009. Slovenia recorded the lowest gap 3,2 % followed by Italy and Malta at 5,5% and 6,9% respectively. Only three other member states record gap below 10%.

Poland	7,5	7,5	7,5	9,8	9,8
Portugal	:	8,4	8,3	9,2	10
Romania	16	7,8	12,7	9	8,1
Slovenia	6,1	8	8,3	8,5	3,2
Slovakia	27,7	25,8	23,6	20,9	21,9
Finland	:	21,3	20	20	20,4
Sweden	:	16,5	17,9	17,1	16
United Kingdom	27,3	24,3	21,1	21,4	20,4
Iceland	:	:	:	:	:
Liechtenstein	:	:	:	:	:
Norway	:	16	15,7	17,2	16,7
Switzerland	:	18,6	18,7	18,4	18,4
Turkey	:	-2,2	:	:	:

Note: * 2009 data are provisional ** no data for 2009 *** = provisional data for 2009 **** no data for EE in 2008 and 2009. For more details on unadjusted gender pay gap see EC Regulation: 530/1999.

Source of Data: Eurostat Database (2011) last updated 27 May 2011²

However, numerous studies have identified the **factors that influence the size of the gender pay gap** and the data should be read with caution. For example, in the case of Malta and Italy, these countries have shown a ‘selection effect’ whereby the low proportion of women working is dominated by higher educated women with strong attachments to the labour market. For these countries an increase in female employment may result in the expansion of proportion of women in the lower paid work force, thereby increasing the possibility of gender pay gap (Smith 2010).

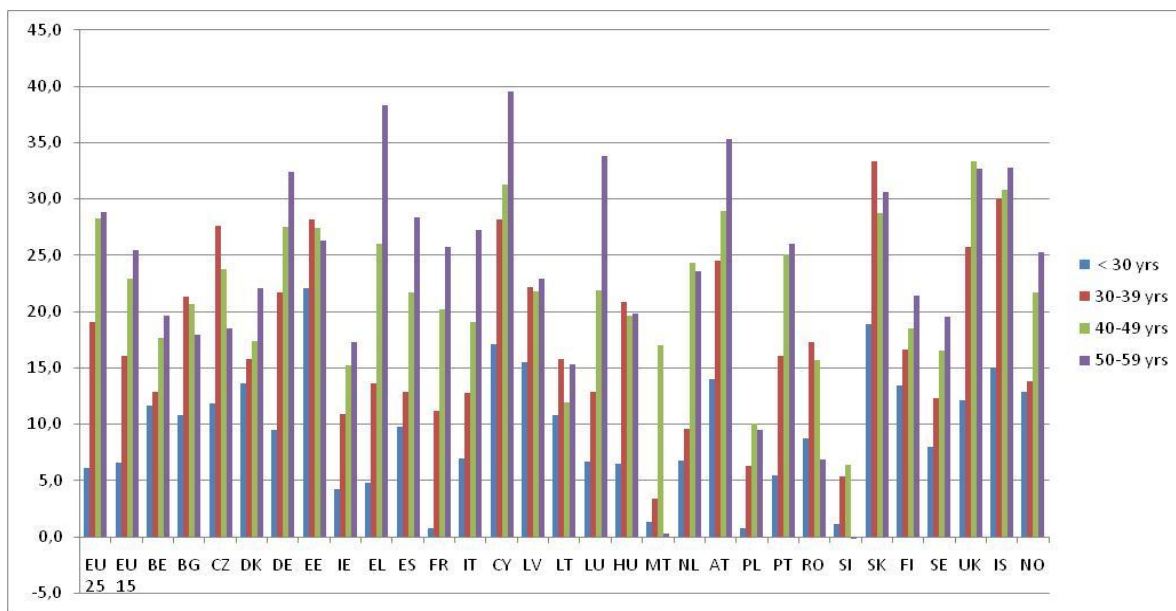
Data also shows that gender pay gap affects most harshly women workers over the age of 40 years. The figure below demonstrates the progressive increase of the pay gap between men and women over different age groups, where the minimum gap is at entry level (below 30 years) and maximum gap recorded after 40 years. The gender pay gap for this age group is at 28% in EU 25 countries³. The progressive increase in the gender pay gap on lifetime earnings means women will have lower pensions, resulting in women being more affected by persistent risk of poverty with 20 % of women over 65 are at risk of poverty compared with 15% of men⁴.

² <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsiem040>

³ SES 2006: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses06_13&lang=en

⁴ EUSILC 2009: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li02&lang=en⁵ COM(2009) 674 final

Figure 1: Gender Pay Gap for different age groups



Source:

Eurostat, SES 2006: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses06_13&lang=en

Considering that the migration scenario has changed very rapidly in last decades in Europe, the case of **migrant women** could hardly be neglected. According to Rubin et al. (2008, p. 45) “Migrant women, in a sense, face a double battle; first to migrate and integrate as foreign-born people in their host country, and then to overcome the gender bias in the labour market”. Migrant women are increasingly coming to occupy disadvantaged positions in the labour market and experience larger gender pay gaps than among the wider population. They are mainly concentrated in domestic and care work, occupations which are highly unregulated and undervalued. Literature on wage discrimination of migrant women in Europe is very scarce and thereby making a comprehensible assessment of their pay gap situation in the Member States is difficult.

The data shown in Table 1 also confirm the almost stability of the gender pay gap. However, **a slight closing of the gender pay gap during the economic downturn might be expected** as male wage growth slows or falls in sectors hard hit by the recession. Theoretically, when jobs are lost or working hours are reduced primarily in well-paid male domains (for instance in France, Milewski and Périvier, 2009), the unadjusted gender pay gap might well be expected to contract. Equally, the fact that predominantly bonus-related wage components, which generally benefit men more than women, are being cut during the economic crisis could lead to a crisis-related reduction of the gender pay gap –at least in the short term and in some countries.

However, on the contrary, there is a fear that the work done to date to close the gender pay gap might be rolled back as a result of the cuts planned or implemented across Europe as governments seek to reduce their deficits in the wake of the economic crisis. The austerity measures have been mostly targeted at the public sector, where women are present in large numbers.

3. *The causal factors for the gender pay gap and unequal pay*

There are a number of interrelated factors that cause gender pay gap, of which one can be recognized as **direct discrimination**, where some women are paid less than men for doing the same job. However, direct discrimination has been effectively arrested thanks to legislations at the European and Member States level.

The **undervaluing of women’s work** on the basis of gender is a significant causal factor of the gender pay gap. Frequently women earn less than men for doing jobs of equal value. One of the

main causes is the way women's competencies are valued compared to men's. Jobs requiring similar skills, qualifications, or experience tend to be poorly paid and undervalued when they are dominated by women rather than by men. For example, the (mainly female) cashiers in a supermarket usually earn less than the (mainly male) employees involved in stacking shelves and other more physical tasks (see other case studies in Bettio and Verashchagina 2009).

In addition the evaluation of performance, and hence pay level and career progression, may also be biased in favour of men. For example, where women and men are equally well-qualified, more value can be attached to responsibility for capital than to responsibility for people, i.e. more value is attached to physical strength than to interpersonal skills. This is where the principle of "work of equal value" needs to be carefully examined.

Secondly, the **occupational and sectoral segregation** (horizontal segregation) of women and men into different types of job is an important factor explaining the persistence of the gender pay gap. While legislation might rule out direct discrimination, when women and men are concentrated into different sectors and occupations the chances for differences in remuneration expand. Non-discriminatory pay differential can exist alongside a gender pay gap as long as women and men are not evenly distributed across high and low paying sectors occupations (Robinson 2001:158). Since the men and women are frequently found in different jobs the gender pay gap captures the different valuation of the roles attached to these jobs.

This segregation of job opportunities into male and female areas also captures the roots of gendered disadvantage on the labour market – the fact that women and men are often operating in quite different sectors where the rewards are also quite different. Women's jobs, particularly those in caring professions and those with ties to childrearing or domestic activities, are consistently undervalued (Bettio and Verashchagina 2009, Colgan and Ledwith 1996).

Moreover, even **in feminised sectors, men tend to be over represented in high positions** (vertical segregation) for example, in teaching (Healy and Kraithmen 1996). Sectoral analysis of earnings and employment show that men dominate the higher paying jobs even in female-dominated sectors (EuroFound 2006). The impact of the undervaluation of women's work can be seen in the effect on wages of working in a feminised sector. Allen and Sanders (2002) find that, even when other factors are controlled for, working in a sector where women predominate reduces individual pay levels across 12 countries (including 6 European Member States). The effect is second only to the individual variable of sex.

Vertical segregation of the labour market also remains a factor in determining the gender pay gap. Within the same sector or company women predominate in lower valued and lower paid occupations. Furthermore, there is evidence from across Europe of within occupation hierarchy and pay differentials from painters (Clarke et al 2005:168) to solicitors (Wass and McNabb 2005). Women are frequently employed as administrative assistants, shop assistants or low-skilled or unskilled workers – these occupations accounting for almost half of the female workforce. Many women work in low paying occupations (e.g.: cleaning and care work).

There are fewer women in positions of decision-making, the highest paid levels, even in these sectors where they are relatively well represented. And when they occupy these positions, they are in areas seen as less important, or the range of responsibilities is more limited. At the EU 27 level women represent only 32% at managerial levels, 3% among chairmen and presidents of company, 10.9% among the members of the highest decision-making body of the largest publicly quoted firms on the national stock exchange⁵.

⁵ COM(2009) 674 final

Another important factor that bears the roots to gender pay gap is **part-time work**. Female part-time workers are paid less compared to male part-time workers (Eurofound 2006: figure 3). Moreover, the gender pay gap per hour among part-timers is wider than among full-timers (Grimshaw and Rubery 2001). The increase in part-time employment has been a common trend in many European countries over the last 10 years. Women are however, four times more as likely as men to take up part time jobs. Part-time jobs are typically low paid, with fewer prospects for promotion and access to training. It is the interaction between low pay, part-time work, and the separation of men and women into different types of jobs which hits women hard.

The **impact of parenthood and of elderly care responsibilities** make women more prone to taking up part-time jobs. Apart from the lower pay associated with working part time, parenthood – or more particularly motherhood – impacts upon the gender income gap over the lifetime through the ‘costs’ of years out of the labour market and reduced hours while working part time (Grimshaw and Rubery 2001). However, the impact of these elements on life time earnings does vary between Member States depending on the level of support afforded to working parents (Joshi and Davies 1992).

Individual factors such as age and education are also positively correlated with the size of the gender pay gap (Blau and Kahn 2000). According to Plantenga and Remery (2006), in comparison to a representative sample of the total population, the gender pay gap is lower if only a sample of new entrants in the labour market is investigated. This means that the gender pay gap tends to widen with **age**, which is often a result of career breaks experienced by women during their working life especially by older women who could not benefit from specific equality measures because those did not exist when they started to work. A “motherhood penalty” is clearly in evidence for women over the age of 40 years, as older women are more likely to have career breaks to care for children (and elderly parents), impacting on their level of work experience and in turn affecting pay. The resulting pay gap starts to appear about 10 years after women start work.

In the case of migrant workers, they suffer double disadvantage owing to their origins and gender. Studies have shown that migrant women not only earn less than migrant men, but also that they earn less than native-born women for doing the same work. Adserà and Chiswick (2007) used the 1994–2000 waves of the European Community Household Panel to study the earnings of immigrants as compared to native workers in 15 European countries. They concluded that an immigrant worker, at the time of his/her arrival earns 40% less than what a native born worker would earn for doing the same. Another study by Antón et al. (2010), based on the Labour Force Survey and the Wage Structure Survey for 2006, show that the earnings gap between female natives and migrants, amounts to roughly 20 percent.

4. *Current obstacles to reducing the gender pay gap*

Traditions and gender stereotypes are the main hindrances to closing of not only pay gap but ensuring economic and social equality of men and women. Whilst in some cases this may reflect personal choices, traditions and stereotypes on the roles and expectations of women and men may influence, for example, the choice of educational path and consequently professional careers, particularly for girls and women leading them towards typically female professions which are less well paid.

While 59% of all university graduates are women, they are a minority in fields like mathematics, computing engineering. Only 8.4 in 1.000 women aged 20-29 are graduates in mathematics, science and technology compared to 17.6 men. Consequently there are fewer women working in scientific

and technical jobs: only 29% of scientists and engineers across Europe are women⁶. This results in women working in lower valued and lower paid sectors of the economy. Because of these traditions and stereotypes, societal expectations on women to reduce their working hours or exit the labour market to carry out child or elder care are far greater.

Secondly, as previously mentioned the **economic crisis** has posed a major threat to the advancement made in the gender equality work over the last decade. With the economic and financial crisis, unemployment rates have risen sharply throughout Europe. Women become the indirect 'losers' of the economic crisis as governments undertake measures to alleviate the public debt often in detriment of public finances, social policy and social protection systems. Moreover, governments may tend to view gender equality as less of a priority. As a result, women may stand to be profoundly disadvantaged by the recession and national responses to the crisis.

The austerity measures planned and implemented in many countries would affect more women than men. Women are the main providers of public services, providing up to two-thirds of the workforce in education, health and social care; it can therefore be expected that female unemployment will rise disproportionately as public sector cuts are made. Sustained pay differentials would also mean men are also more likely than women to be in an advantageous position in relation to savings and income. The rise in the unemployment rate of women would put them more at risk of poverty.

In addition, the **problems for the availability and comparability of data** have hindered the comparative analyses of trends in the gender pay gap. Indeed even within one Member State the inadequacies of measures mean that a variety of levels, and even trends, for gender pay gap can go unidentified depending on the data, method of measurement and model used (for example in Austria, Maierhuber 2008).

Furthermore there is a want of data and information at the company level especially with regard to wage composition. One of the main difficulties lies with the definition of the composition of 'pay' and wage structures. Apart from remuneration for work procured in employment settings, pay in employment is also composed of additional elements, some of which are more visible than others, necessitating more transparency in the composition of wage structures. It is primarily in the invisible aspects of the wage composition that the gender pays gap is hidden. The **lack of transparency on the part of the companies with regard to wage structure and discretionary elements of pay** make it difficult for women to strengthen their negotiating power.

5. *Current opportunities to make progress on reducing the gender pay gap*

The European Commission has been a key player in promoting equal pay in Europe. Equal pay was adopted as a core principle of the European Union when it was founded in 1957. Article 157 of the Lisbon Treaty states that 'each Member State shall ensure that the principle of equal pay for male and female workers for equal work or work of equal value is applied'. Under the auspices of the European Employment Strategy, since 1997 addressing the gender pay gap has become a part of the effective utilisation of female human resources in Europe and broader goals of high sustainable employment rates. Subsequently the gender pay gap was highlighted as one of the key concerns in the Roadmap for equality between women and men 2006-2010⁷. One of the early milestones of the Roadmap was for the Commission to work with Eurostat in the development of adequate data for the measurement of pay inequalities.

⁶ Eurostat, *The life of women and Men in Europe. A statistical portrait 2008*, Office for Official Publications of the European Communities, Luxembourg, 2008. Can be found at: <http://www.eurostat.eu>.

⁷ COM(2006) 92 final

Closing the gender pay gap remains a major political priority and the European Commission has pledged to keep this issue, which continues to be a matter of great concern, high on its agenda. The Women's Charter 2010⁸ set out to close the gender pay gap significantly by using both legislative and non-legislative means. It reaffirms that gender pay gap is a cost that Europe cannot afford to bear.

Gender equality is at the heart of the new Europe 2020 Strategy. New and reinforced policies that promote gender equality are needed in order to boost employment and to reach the target of 75% of women and men aged 20-64 employed by 2020. Growth in the economy, which is particularly crucial given the current economic crisis, cannot be achieved unless more women are on board.

Equal pay for equal work and work of equal value is a core issue of the work-programme of the European Commission as stated in the new Strategy for Equality between Women and Men⁹. Tackling the gender pay gap is one of the Commission's **priorities over the next years** and the Commission intends to use all the options available:

- Together with the social partners the Commission has identified **some areas to be examined closely** in order to see whether it is necessary to improve the **EU legal framework**, for example in the **transparency** of pay at company level. The Commission also explores the impact of some working arrangements such as **part-time work** and **fixed-term contracts** on equal pay. In this context, the Commission has launched a study to analyse the economic and social impact of certain legislative and non legislative options to tackle the gender pay gap. The results will be ready in the second half of 2011.
- Awareness-raising activities are essential to keeping employees and stakeholders informed about the existence and importance of the gender pay gap. An **awareness-raising campaign on the gender pay gap** was launched in March 2009 and will continue in 2011. The target groups identified were employees, employers, social partners, NGOs, decision makers, recruitment agencies and the general public.
- In addition, on the 5th of March 2011 the first **European Equal Pay Day** was launched. This day will be set each year on the date corresponding to the extra days that a woman is required to work in Europe in order to earn the same salary as a man during a full year of work. The date's variations will allow to see the evolution of the gender pay gap in the course of the years.
- The Commission intends also to **support employers** by encouraging initiatives that promote gender equality in the workplace including equality labels, charters and awards. A study was published in 2010 consisting of an inventory and analysis of non-legislative measures taken by public and private organisations and companies to promote gender equality in the work place.
- Likewise, the Commission will explore how to support Member States in **developing tools to help employers** to analyse the reasons for the existence of unjustified gender pay gaps within their companies and to take measures to diminish them.
- Since the gender pay gap is caused by many interrelated factors, the Commission also have to foresee actions tackling these **underlying causes**: improving working conditions for women, facilitating a better work-life balance including a more balanced share of men in the family and domestic duties, encouraging women to enter non-traditional professions to tackle segregation and improving the gender balance in the decision-making positions.

⁸ COM 2010 78 final

⁹ COM 2010 491 final

In October 2010, a conference organised by the Belgian Presidency with the support of the European Commission, provided Member States and social partners with the opportunity to present their action strategies and successful national practices used to close the gender pay gap. The conference also aimed at stimulating further action in the new European context. The role of the social partners has been regarded with high importance, in view of the previous successful collaborative efforts. In March 2005, the European social partners adopted a **Framework of Actions on Gender Equality**. They identified four areas for priority actions of which one is to tackle the gender pay gap.

The member organisations of BUSINESS EUROPE, UEAPME, CEEP and ETUC agreed to promote the Framework of Actions in Member States at all appropriate levels taking account of national practices. They produced 3 evaluation reports, the last one of which was adopted by the European Social Dialogue Committee in 2009. The current economic and financial crisis has presented the social partners with new challenges which could provide them with the opportunity to provide strong leadership and vigilance to ensure that key goals do not slip in the urgency of responses to the crisis.

6. *Current trends in good practices on advancing equal pay across the economy or in sectors of the economy or in individual companies*

- ***Legislative actions:***

Following are some examples of legislative actions implemented in the member states for checking gender pay gap:

In **Italy**, according to Article 28 of Law No. 903 of 9 December 1977, women are entitled to the same wage as men and job classification systems have to adopt the same criteria to determine wage levels for men and women. Regarding wage discrimination in particular, a specially targeted programme introduced in 2008 establishes that positive actions should meet among other objectives the objective of reducing the pay differential between women and men. In **Luxembourg**, the Labour Code of 1979 (amended 2008) (Article L 414-3,) establishes equality of treatment between men and women with regard to access to employment, training and professional promotion, as well as in terms of pay and working conditions. In **Cyprus**, in April 2009, a number of amendments were made to the existing legislation on equal pay for men and women for equal work or work of equal value that are expected to reduce the gender pay gap. In the **UK** the Equality Act 2010 seeks to abolish secrecy clauses in pay structures. The Equality Act 2010 also empowers Government to require non-public sector employers employing more than 250 people to measure and report their gender pay gaps. The Act also encourages employers to conduct equal pay audits, though it is not compulsory. The Government wants to encourage employers to be voluntarily transparent on their pay gap rather than legislating.

In **Denmark** (the ‘Act on gender specific pay statistics’), **Sweden** (‘Equal Opportunities Act’) and **Italy** (Article 46 of Law 125 of 1991), companies with more than 35, 10 and 100 employees respectively are obliged to report on and prevent gender pay gaps. The obligation to report on addressing and explaining the reasons for the gender pay gap aims to improve information on private companies’ wage differentials. In **Romania**, the Labour Inspection Office (Inspekția Muncii, IM) secures the observance of measures seeking to ensure equality of opportunity between men and women, including equal pay for equal work. Elsewhere, in the **Netherlands**, an advice committee was established in 2006, known as the National Working Group on Equal Pay. This tripartite committee has responsibility for promoting the implementation of equal pay and for giving guidance on the subject to companies and parties engaged in collective bargaining. On 1 December 2008, the Labour Inspectorate (Arbeidsinspectie) was assigned responsibility for enforcing the obligation on employers to scrutinise pay inequalities in their company.

In **Austria**, as of August 2007, a legal claim to premium rates of pay of an additional 25% for overtime work was introduced for part-time workers, the vast majority of whom are women. This measure aims to improve the income situation of women engaged in part-time work.

- ***Tools for company level action:***

To help both employed men and women, firms' management and workers representatives (work councils) identify what the factors are which contribute to the firms' gender wage gap, the **German government** (Ministry for family, seniors, women and youth) provides a new instrument to measure the gender wage gap on the firm level. This instrument is called LOGIB-D, and it is an Excel based programme which calculates regressions on basis of the data on each single employee. There are two different regressions calculated: one calculates the wage gap which is due to human capital factors like general education, vocational training, length of employment in the same job, in the same firm. The second takes into account the differences in hierarchical positions and in occupational skill requirements.

- ***Information and awareness activities:***

Among other initiatives, under the heading of providing information and awareness raising, the **Dutch** and the **Hungarian** governments have introduced a wage calculator or wage indicator on the internet. One of the goals of such project is to improve the information about real wages, beyond the information about the formal wages agreed in a specific collective bargaining agreement. The European Commission as part of its Gender Pay Gap campaign launched on its website the gender pay gap calculator for both employers and the employees.

A few countries have introduced an "Equal Pay Day" as an important initiative to inform a larger public with respect to the persistence of gender wage inequality. **Belgium** has been organising an equal pay day for the second time on because studies have pointed to the fact that women need 15 months to earn what men do in a year.

- ***Actions by social partners:***

There are also several good examples of initiatives carried out by social partners which were catalogued during the Belgian Presidency¹⁰. Among them have been listed ETUC's 'Equal pay day campaign' in **Belgium**, 'Campaign to secure a re-evaluation of pay scales mainly for women working in the social and childcare sectors' in **Germany**, BusinessEurope's 'The National Women's Strategy 2007-2016' in **Ireland** and 'National Equal Pay Programme' in **Finland**.

- ***Action on equal pay for migrant women:***

Recently, the **European Network of Migrant Women** was launched in June 2010, with support from the EWL. The network is a conglomeration of organizations that have been working for the integration of migrant women in mainstream society. Among various activities they undertake in the area of employment, the Irish NGO AkiDwa and the Immigrant Council in Ireland organise regular stakeholders meetings with social partners, employers and the government to improve access to employment for migrant women in Ireland. **RESPECT**, a European network of migrant domestic workers' self-organization, has been campaigning for decent working condition for migrant workers and one of their agenda is to promote minimum wage for migrant workers in Europe.

- ***Action on low pay:***

The existence in many countries of a minimum salary provides a guarantee for lower income brackets (women and men) from discrimination in pay. Many member states have minimum wage systems. In **France, Ireland, Luxembourg, the Netherlands, Portugal, Spain** and the **UK** a

¹⁰ Catalogue available at http://igvm-iefh.belgium.be/nl/binaries/45%20-%20Gender%20pay%20gap_tcm336-112122.pdf

statutory national minimum wage is fixed at an hourly, weekly or monthly rate by the government, in many cases in consultation with the social partners, and this minimum is enforced by law.

In **Belgium**, the RMMMG monthly minimum wage for the private sector is set by an intersectoral collective agreement concluded in the National Labour Council (Conseil National du Travail/Nationale Arbeidsraad, CNT/NAR), which is legally binding. In Greece, minimum wage and salary rates for blue- and white-collar workers respectively are set by the social partners in the National General Collective Agreement (EGSSE), which covers all workers in the private sector.

In **Austria, Denmark, Finland, Germany, Italy, Norway and Sweden** - there is no national minimum wage, but sectoral collective agreements implicitly or explicitly set minimum pay rates for the employees in their area of coverage. This thus results in a variety of minimum wage rates for different sectors.

However, the minimum wage is only a partial solution to gender pay gaps (Rubery and Grimshaw 2009) and action on wage inequalities needs more than the strong enforcement or up-rating of minimum wages.

- ***Implementing Non-Discrimination Legislation:***

Member states have non-discrimination legislation and equality bodies to implement this legislation. This includes prohibitions on discrimination in relation to equal pay. A number of Member States have legislation and institutions in place that could indeed be useful for checking pay discrimination at workplace on the basis of ethnicity as well as gender and in some instances on the basis of age as well as gender. In some instances this legislation requires proactive initiative on the part of employers in relation to equal pay.

Finland, France and Spain adopted proactive laws in 2005 and 2006 requiring employers not just to abstain from discriminating in remuneration on the basis of sex, but to take measures to promote equal opportunities in pay, for example through equal pay reviews and job evaluation methods, and to correct any pay differentials due to discrimination.

Pay equity commissions or commissions with broader anti-discrimination jurisdictions can play a very helpful role in the achievement of pay equity. In Sweden, for instance, since 2001 the Equal Opportunities Ombudsman has undertaken information and education measures to assist workers' and employers' organisations in meeting their obligations under the Equal Opportunities Act, with special emphasis on wage mapping and anti-discrimination.

7. Current opportunities and obstacles to responding to unequal pay

- ***The case for taking action on the gender pay gap in the current context:***

The case for taking action on the gender pay gap is important for women as individuals for equity reasons, for the economic well-being of their children and families, but also for society at large as an improvement of the position of women in the labour market – including pay equality – is crucial for economic growth.

Women have played a vital role in Europe's employment and economic growth and their skills and talent are necessary for the economic and social development of our societies. However, this is not reflected in their pay and position in the labour market. The undervaluing of women's work and the under-utilisation of women's skills is a lost resource for the economy and for society at large. A better use of women's skills allows them to better contribute to the economy as a whole.

A leveling up of women's earnings has the potential to bring gains to the Exchequer not only in increased revenue from income tax and national insurance, but also through a reduction in the payment of benefits and tax credits. It would improve the financial wellbeing not only of women but also of their partners and children, and, most importantly, it would reduce the likelihood of women's poverty in retirement. At the moment the at-risk-of-poverty rate is 21% for women over 65, compared to 16% of men over 65. There is even evidence that an increase in women's earned income decreases the likelihood of them being subject to domestic violence¹¹.

The economic case for equality means that social and economic goals around women in the labour market become more closely integrated. This potential is in fact evident in the New European pact for equality between women and men (2011-2020), adopted at the March 2011 Brussels European Council, that stresses the need to eliminate gender stereotypes and ensure equal pay for equal work and to draw full benefit from European workforces and their productive potential.

A commitment to such an approach has the capacity to move equality from being regarded as a cost or a constraint to one where it has an important role in the development of a productive Europe while reinforcing the position of gender mainstreaming in all aspects of policy. These economic benefits are evident at three levels – macro, meso and micro – and can be seen in the advantages of higher female employment rates, women's contribution to GDP, fiscal contributions and sustainable fertility rates.

- ***Ideas or proposals for new strategies, policies or initiatives to enable further progress on advancing equal pay in the economy, in different sectors or in individual companies:***

Gender pay gap is a complex problem caused by several interrelated factors. One single policy, however carefully designed and effectively implemented, will not be able to produce significant effects if not combined with other complementary policies. This implies that the tackling of the gender pay gap is necessarily a long-term objective that requires:

- a combination of a variety of strategies and policies;
- the involvement of different actors and stakeholders at different levels.

The complex nature of the issues underlying the endurance of the gender pay gap requires the adoption of a long-term perspective, in the sense that policies will start showing some positive effects over a relatively long time span. Thus, the lack of positive outcomes in the short run should not deter the pursuance of pay equality policies.

The directions for the policies addressing the issue of unequal pay have already been identified by the Strategy for Equality between Women and Men 2010-2015¹². These directions can be grouped around four key concepts:

- *awareness*: initiatives to increase awareness on the gender pay gap,
- *gender roles*: initiatives to break traditional stereotypes (gender roles in society, in employment, in educational choices),
 - *legislative measures*: analysis of costs and benefits of new legislations,
 - and *promotion of equal pay in companies*: through different actions such as charters, awareness-raising activities and trainings.

There is a lot to learn from the experiences accumulated over time through the strategies and measures implemented at various levels so far. Across the EU there are examples of good practice that could combine with a wave a pressure at the European level as part of the Commission's

¹¹ The Impact of Women's Position in the Labour Market on Pay and Implications for UK Productivity, Professor Sylvia Walby and Dr Wendy Olsen.

¹² COM 2010 491 final

initiatives under the new Strategy for equality between men and women. A key role for the European Union in the continued fight against the gender pay gap is to bring together this variety of initiatives and multiple actors involved in promoting equality in the labour market.

The work for closing the gender pay should be carried on simultaneously and in close collaboration at the European, national, sectoral and organizational level. The strategy for closing gender pay could be focused on the:

- *setting targets*: creating definite targets would give direction and priority to the goal of closing gender pay gap.
- *creating obligations*: By creating obligations on organisations the concern for equality becomes a proactive one rather than a reactive issue when complaints of unfair treatment are received.
- *promoting transparency*: transparency in wage composition is urgently required. Making available information on discretionary elements of pay would enable women to strengthen their negotiating power in relation to pay and wage structures.
- *developing local leadership*: Developing national leadership through social partners reflects the emphasis at the European level on using social partners to combat pay gap.
- *combating low pay*: as discussed above a segregated labour market mean the concentration of women in poorly paid sectors which leaves them at risk of poverty. It is therefore important to fight low pay. Moreover, setting of minimum wage systems would also ensure not only closing of the gender pay gap, but also arresting discrimination on the ground of gender.

The table below tries to provide an idea of how different actors could contribute to closing the gender pay gap:

	<i>Targets</i>	<i>Transparency</i>	<i>Developing local leadership</i>	<i>Combating Low Pay</i>	<i>Obligations</i>
European	Relative gender pay gap targets for Member States (e.g. a proportional reduction of gender pay gap).	Promote quality and comparable data for all Member States covering all sectors and firms.	Leading the approach to maintain a high profile for the gender pay gap among EU institutions and initiatives.	Promotion of gender- positive effects of minimum wages.	Duty to monitor and coordinate Member State initiatives to close gap (e.g. in NRP process).
National	Specific concrete targets to close national pay gaps as measured by Eurostat. Possible new legislation.	Publish regular, gender disaggregated wage statistics.	National governments and equality bodies to lead action against pay gaps.	Protection of minimum wage levels and low paid sectors in response to the crisis.	Proactive duty on national bodies to investigate and address inequalities.
Sectoral	Sectoral Targets to address specific pay gaps (e.g. public sector).	Use of sectoral gender disaggregated wage statistics to identify key groups.	Social partners campaigning for reduction of sector-level gaps.	Protection of sectoral minimum wage levels and/or promotion to implement or raise levels.	Duty on sectoral bodies (public, private, sub-sector) to tackle sector-specific gaps.
Organisational/ workplace	Social partners to focus on closing gaps for specific work places or occupations.	Publicly available organisational level data on pay gaps.	Social partners and works councils using organisational data to promote action on specific local gaps.	Identification of low paid groups within occupations and workplaces.	Duty on organisational and workplace managers and employee representatives to act against pay inequalities.

Source: Analysis Note on Gender Pay Gap in the EU (Smith 2010).

- *Opportunities of Europe 2020 strategy:*

With the launch of the new Europe 2020 strategy, the European Commission has renewed its pursuance of gender equality in the socio-economic context of Europe. The employment guidelines are directed towards increasing labour market participation, developing a skilled workforce, improving the performance of training and education systems and combating poverty and promoting social inclusion. They lay the ground work for pursuing the issue of equal pay:

- **Guideline 7 (Increasing labour market participation and reducing structural unemployment)** is accompanied by a headline target of achieving an employment rate of 75% for men and women by 2020. To do so, would require dramatically increasing the employment rate for women, which is currently 63%, while tending toward the essential principle of equal pay. The guideline also provides for Member States to combat segregation of the labour market, which is one of the main causal factors of gender pay gap.
- **Guideline 8: (Developing a skilled workforce responding to labour market needs and promoting lifelong learning)** addresses the need to “overcome gender stereotypes” and enhanced training for “women in scientific, mathematical and technological fields”. This is integral to overcoming labour market segregation.
- Employment **Guideline 10 (Promoting social inclusion and combating poverty)** recognizes the greater risk faced by women in general and older women and migrant women. The guideline provides for the member states to put effective anti-discrimination measures with special attention to women.

The Europe 2020 Strategy could be a powerful and appropriate policy mechanism to address the issue that compound to gender pay gap. However, without the firm commitment from the Member States and of the social partners little progress can be made.

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