



## **Background**

The 2018 annual seminar of the SAAGE initiative explored the diverse compositions, causal factors, and responses to the gender pay gap and their policy implications. It drew from a study carried out by Christina Boll and Andreas Lagemann of the Hamburg Institute of International Economics, 'Gender Pay Gap in EU Countries based on SES (2014)', published in 2017 under the SAAGE initiative.

The seminar provided current information on the gender pay gap and perspectives from Member State experiences on the gender pay gap, its scale, composition, and causal factors. It enabled dialogue between European Commission staff members and SAAGE Country Experts on these issues and their implications and provided an opportunity for bilateral meetings between Country Experts and Country Desk Officers.

## **European Union Context**

European Union developments were presented by Agnieszka Bielska-Decugniere and Outi Niiranen of the *Gender Equality Unit, DG Justice and Consumers*. These draw in particular from the Strategic Engagement for Gender Equality 2016-2019 with its focus on equal pay. The Sustainable Development Goals provide further impetus with their focus on gender equality and deployment of the unadjusted gender pay gap as one indicator in this regard. The European Pillar of Social Rights is another driver for action with its focus on equal opportunities and access to the labour market, again deploying the gender pay gap as one indicator. Finally, the Work-Life Balance Package contributes to addressing some of the root causes of the gender pay gap.

The EU Action Plan 2017-2019 seeks to address the gender pay gap through pay transparency, combating sectoral and vertical segregation, work-life balance, developing skills, challenging stereotypes and enhancing partnerships. The European Semester has focused on policy measures such as caring infrastructure and family leaves, and removal of fiscal disincentives for second earners. The gender pay gap keeps coming up and Estonia has been subject for a Country Specific Recommendation.

## Gender Pay Gap – European Overview

### Presentation

Christina Boll, Research Director, Hamburg Institute of International Economics, provided a key framework to clarify the gender pay gap. This covered:

- ✓ The scale of the gender pay gap relates to some important macroeconomic context variables:
  - The wealthier the country in terms of high wage levels, the greater the gap tends to be. More wage dispersion goes along with higher wage differentials between women and men.
  - It seems difficult to achieve a low gender pay gap and a high female employment rate simultaneously. This is because: Countries with high female employment offer family-work compatible work arrangements, enabling women to enter the market but at the cost of wage penalties for part-time work which contribute to the gap; In countries where care professions are operated via the market, these low paid jobs are mostly taken by women, thus female employment is high but low wages in the care sector magnify the gap.
- ✓ The unadjusted gender pay gap (%): the difference between the average hourly wage of all women and that of men, compared to men's wages. There is variation between Member States (from 1.0% to 23.5%, compared to EU average 14.2% in 2014) but little variation from 2010 to 2014 (decrease of 1.1p.p. in EU average).
- ✓ The unadjusted gender pay gap can be broken down into an explained gap, the endowment effect, and an unexplained gap, the adjusted gender pay gap. The unexplained gap accounts for two thirds of the EU average gender pay gap.
- ✓ The explained gap is attributed to different characteristics of women and men in the labour market, such as qualifications, part-time work, affiliation to different industries, and firm size. This gap might reflect self-selection or preferences or it might reflect unequal opportunities between genders to access wage-attractive jobs, allocative discrimination. The explained gap is not free from discrimination.

- ✓ The unexplained gap is the gap between women and men with similar characteristics, a gap that is not attributable to differences in observable characteristics of women and men. The first component, the evaluative effect, is due to men and women being remunerated differently for the same characteristic (e.g. part-time work). The second component is a constant term measuring what is left after deducting endowment and evaluation effects from the adjusted gap. This might reflect different bargaining power, hidden gender specific preferences or measurement errors<sup>1</sup>. Discrimination cannot be assumed.

In disentangling single factors causing the explained gender pay gap, sector affiliation, hours of work and temporary work the most important factors across countries. These endowments mostly disadvantage women. This holds to a lesser extent for temporary work. Education, public control and firm size mostly work to women's advantage as women are better endowed than men in these respects. In relation to the unexplained gap, premiums for sector affiliation penalise women in most countries, reflecting vertical segregation. The returns on part-time work penalise men. The constant term is dominant in the unexplained gap and disadvantages women in most countries.

3

## Change and Diversity 1 – Member State Experience

### Presentations

In *Finland*, Hanna Sutela noted that the gender pay gap is high at 17.56% in 2014, though down 3.3p.p. since 2010. Finland has a high gender pay gap with a high female employment rate. It is largely explained by high segregation by occupation, industry and employer; long family leaves mainly taken by women; and the extent of temporary work, often as substitutes for people on long family leave. It is exacerbated by pressure to increase local bargaining; increased use of performance-based pay systems; increase in payment of bonuses; and lack of decision-making in the tri-partite policy process. The gender pay gap is lowest in the public sector, but wages are lowest there too.

---

<sup>1</sup> Actual work experience is not observable in the Structure of Earnings Survey.

Employers with more than 30 employees are requested to draw up a gender equality plan, conduct a pay survey and establish the reasons for differences in pay and take action if there are no acceptable reasons. There is a tri-partite equal pay programme for 2015-2019 with a focus on pay and pay formation, segregation, and reconciliation. While collective bargaining is perceived to have been positive for women generally, the undervaluation of women's work is seen as being institutionalised into structures for collective bargaining in the local government sector.

In *France*, Anne Eydoux noted a high gender pay gap at 16.3%, stagnant at this level. The unexplained gap is largest but has decreased. Working time and occupation are key causal factors. The gender pay gap level is influenced by what is measured: hourly gross earnings (dominant) or medium annual net pay; men as the reference point (dominant) or women as the reference point. The dominant method gives the lowest gap.

Gender equality at work is for the most part a matter for workplace negotiation. This is problematic as the diagnosis of the problem is poor, the agreements are unambitious, there is a lack of indicators, capacity and expertise of labour unions are limited, and there is a lack of investment by employer unions. There is a lack of control and sanctions through public policy. Political focus is now being limited to the unexplained part of the gender pay gap as if this is the only part of the problem and just a matter of discrimination. The explained part is left as a matter for long-term cultural change.

In *Czech Republic*, Alena Krizkova noted the gender pay gap is high with little by way of policy response. The employment rate of women is relatively high and full-time work dominates for women. There is a high level of gender segregation, both by industry and vertical segregation within industry. The gender pay gap is high between sectors and within sectors. Trade unions play a weak role, wage bargaining is decentralised, and there is weak compliance with legal controls.

There is a significant motherhood penalty with a lack of flexible working arrangements, long family leaves, unequal sharing of care responsibilities and low availability of childcare. There has been a history of emancipation from above under state socialism. Since 1989, there has been a 're-familisation'. Men's attitudes to women and the role of women point to the role of stereotypes and discrimination.

## Dialogue

The dialogue between participants focused on:

- ✓ The need to be concerned about the quality of employment overall in a context of sectoral segregation and different conditions by sector.
- ✓ Culture and the importance of values in seeking change on this issue.
- ✓ Context and the role played by the economic crisis in relation to gender gaps in the labour market.
- ✓ The contribution to be made by pay transparency, the availability of childcare services, and work-life balance and work flexibility.
- ✓ The dangers of long family-leaves and of changing attitudes.
- ✓ The challenge to explore the gender pay gap in a context of migration.

## Change and Diversity 2 – Member State Experience

### Presentations

In *Germany*, Alexandra Scheele noted a high unadjusted gender pay gap at 21%, and significant differences between East (lower at 8%) and West (higher at 23%). This suggests the importance of cultural factors and value systems. Causal factors include vertical and horizontal segregation, high levels of part-time work for women, collective bargaining that undervalues women's jobs, and un-transparent wage setting processes, including bonuses. There is a long-term impact in the current gender pension gap.

The unexplained gap is low at 7%. The political emphasis is mis-placed on the unexplained part of the gender pay gap as the only part that needs political action. The new law on pay transparency is an important tool but, while providing the individual right to wage comparison, it has no effect on the structural reasons for the gap.

In *Latvia*, Anna Zasova noted the gender pay gap is 12%, lower than the EU average and low in comparison to the other 'transition countries'. Latvia stands out for the biggest increase in the overall pay gap from 2010, driven by an increase of 4.4p.p. in the explained gap. Segregation by industry is the largest causal factor for the explained gap, the largest among all countries. Despite changes in the labour market in a context of boom to bust to recovery, this distribution remained stable with women over-represented in the low-paid areas. Previously, women had been over-represented among professionals but this dominance weakened over 2010-2014 in this context.

The constant term (the influence of unobserved factors) had been positive in 2010. However, it turned negative in 2014. This is possibly a consequence of selection of men and women in employment over the crisis. Men were more affected by unemployment in the recession, hence in 2010 the unobserved abilities of the employed could be more favourable for men.

In *Portugal*, Lina Coelho noted the gender pay gap went from below the EU average to above it, one of the highest increases in the EU. This growth in the gap is most evident in peak of the crisis and in its aftermath. It has continued in 2015. The increase was registered mainly in the age groups 45-54 and 55-64. Women

have high labour force participation, a similar pattern over the life-cycle to men, and similar attributes. The explained gap is one of the lowest.

However, women's wage distribution is concentrated at the low pay end, women are more concentrated in firms and jobs of lower quality, and within firms there is a remarkable difference in wage distribution between women and men with the same age and seniority. There is a need to get men to share caring responsibilities, foster women's participation in training and skills programmes, and break gender stereotypes.

## **Dialogue**

The dialogue between participants focused on:

- ✓ The contribution of collective bargaining, minimum wage and pay transparency.
- ✓ The effects of the crisis and how this continues even in the aftermath.
- ✓ While situations across the Member States might differ, the policy responses required are similar.
- ✓ Segregation and the link with education.
- ✓ The need for company action and the importance of improving working conditions in female dominated sectors.