EGGE – EC’s Expert Group on Gender and Employment

The Gender Pay Gap and Gender Mainstreaming Pay Policy in EU Member States

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The Gender Pay Gap and Gender Mainstreaming Pay Policy in EU Member States

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# Table of Contents:

**EXECUTIVE SUMMARY** .................................................................................................................. 4

**RÉSUMÉ** ........................................................................................................................................ 15

**INTRODUCTION** .............................................................................................................................. 27

*WHY GENDER MAINSTREAMING?* ........................................................................................................ 27

*BROADENING OUR UNDERSTANDING OF THE FORCES INFLUENCING WAGE STRUCTURES* 28

*THE ORGANIZATION OF THE REPORT* .............................................................................................. 30

## 1. THE UNADJUSTED GENDER PAY GAP ................................................................................. 31

1.1. THE LIMITATIONS OF PAY DATA ................................................................................................. 31

1.2. PATTERNS AND TRENDS IN THE GENDER PAY GAP ................................................................. 32

1.3. LEVELLING UP OR LEVELLING DOWN? LOW PAY AND THE GENDER PAY GAP ....... 36

1.4. LABOUR MARKET DIVISIONS AND THE GENDER PAY GAP .................................................... 38

1.4.1. Working-time status .................................................................................................................. 38

1.4.2. Young and old workers ........................................................................................................... 41

1.4.3. Education .................................................................................................................................. 44

1.4.4. Public and private sector employment .................................................................................... 48

1.5. SUMMARY .................................................................................................................................... 50

## 2. THE ADJUSTED GENDER PAY GAP ...................................................................................... 51

2.1. A ‘BEGINNER’S GUIDE’ TO THE TWO MAIN METHODS OF DECOMPOSITION OF THE GENDER PAY GAP ........................................................................................................... 51

2.2. EMPIRICAL ESTIMATES OF EXPLAINED AND UNEXPLAINED PARTS OF THE PAY GAP ......................................................................................................................................................... 55

2.2.1. National studies of the adjusted pay gap .................................................................................. 55

2.2.2. International studies of the adjusted pay gap ......................................................................... 60

2.3. COUNTRY ESTIMATES OF EXPLANATORY VARIABLES ......................................................................................................................................................................................................................... 65

2.3.1 Education .................................................................................................................................... 65

2.3.2. Work experience ........................................................................................................................ 68

2.3.3. Occupation and sector ............................................................................................................. 71

2.3.4. Workplace variables ................................................................................................................. 73

2.4. PROBLEMS WITH THE MAINSTREAM APPROACH .................................................................... 74

2.4.1. Choice and definition of control variables ............................................................................ 75

2.4.2. Feedback effects ........................................................................................................................ 76

2.4.3. Occupation and sector as control variables ............................................................................ 77

2.5. SUMMARY .................................................................................................................................... 79

## 3. STRUCTURE OF WAGES AND THE GENDER WAGE GAP ....................................................... 80

3.1. WAGE STRUCTURES AND THE GENDER PAY GAP .................................................................. 80

3.2. DIFFERENCES IN THE SHAPE OF THE WAGE STRUCTURE AND THE GENDER PAY GAP ......................................................................................................................................................... 81

3.3. RELATIVE WAGES IN FEMALE-DOMINATED OCCUPATIONS, INDUSTRIES OR CONTRACTS AND THE IMPLICATIONS FOR EQUAL VALUE ......................................................................................................................... 84

## 4. WAGE FORMATION SYSTEMS AND THE GENDER PAY GAP .................................................. 91

4.1. COLLECTIVE BARGAINING SYSTEMS AND THE GENDER PAY GAP .................................. 91

4.1.1. Collective bargaining coverage and the system of minimum wage determination .................. 93
4.1.2 The coordination of wage determination systems, across occupations, firms and sectors .................................................................................................................................95
4.1.3 The embeddedness of gendered norms and valuations in the collective bargaining systems, minimum wage systems and job gradings ........................................97
4.1.4 The social norms and values influencing changes in wage rates and wage systems .................................................................................................................................99

4.2 Minimum wage systems and the gender pay gap ..............................................100
4.2.1 The coverage of minimum wage systems .................................................100
4.2.2 The level of the minimum wage ...............................................................101
4.2.3 Trends in the level of minimum wages ....................................................104
4.2.4 Gender differences in the impact of minimum wages ...............................105
4.2.5 Gender mainstreaming policy towards minimum wages and the low paid labour market ..................................................................................................................106

4.3 Mainstreaming pay policies at the company or sector level .................108
4.3.1 Wage formation in the private sector .....................................................109
4.3.2 Wage formation in the public sector .......................................................111

5. National policy initiatives and the gender pay gap ........................................114
5.1 Gender equality initiatives related to pay and grading systems .............114
5.1.1 Legal cases .........................................................................................114
5.1.2 Pay and grading systems .....................................................................117
5.1.3 Equality audits/ gender equality plans .................................................121
5.1.4 Trade unions, works councils and collective bargaining ....................123

5.2 Policies to change women’s position within labour market structures ..........126

5.3 Policies to reduce the impact of childcare responsibilities on the gender pay gap .................................................................127
5.4 National policy approaches in member states to closing the gender pay gap .................................................................................................................................129

6. Conclusions ........................................................................................................132

National reports ........................................................................................................134

References ..............................................................................................................136

Appendix ..................................................................................................................148
The Gender Pay Gap and Gender Mainstreaming Pay Policy in EU Member States

Executive summary

Closing the gender pay gap is back on the political agenda in Europe. This report by the European Commission’s Expert Group on Gender and Employment is a contribution to this policy debate. The initial task was to explore the traditional or mainstream approach to the gender pay gap that divides the gender pay gap into two parts, one part explained by differences in personal characteristics and one attributed to discrimination. This approach was soon identified as providing a too narrow focus for understanding differences in the gender pay gap across EU member states. New econometric evidence, from the OECD and elsewhere, has pointed to the importance of the wage structure in shaping the gender pay gap. The argument of this paper is that the increasing interest in gender pay inequality in the EU and member states needs to be translated into an active debate on the gender effects of pay policies, in short to a new emphasis on gender mainstreaming. The importance of this gender mainstreaming approach is that it shifts the focus from female deficits or deficiencies to the investigation and rooting out of discrimination, as embedded in institutional arrangements, social norms, market systems and pay policies. This involves looking for, and trying to remove, discrimination within policies and practices that may appear gender sensitive until they are interrogated.

The case for gender mainstreaming can be based on the following key observations.

- Differences in wage structures between countries have been found to be important in explaining the gender pay gap.
- Changes in wage structures are perpetuating gender pay gaps.
- Differences between countries in wage setting arrangements provide management with varying levels of discretion.
- Gender segregation in employment means that pay policies and practices in specific segments or sectors are likely to have differential gender effects. Changes to public sector pay, or to low pay regulation, need to be analysed for gender effects, along with the implementation of new payment systems.
- Wage structures are not simply based on the productivity of workers; the reality is much more messy and reflects current and historical influences. Social norms on the one hand and managerial strategies of organizational restructuring on the other interact with market processes to shape payment systems. This messy reality allows considerable scope for changing pay structures and practices in both public and private sectors.

1. The unadjusted gender pay gap

1.1. The limitations of pay data

There are three main sources of European pay data, but each is limited by some combination of problems concerning reliability, coverage or irregularity. National sources of data tend to be characterized by four main limitations: lack of hourly pay data; the exclusion of some or all public sector workers; lack of information on part-time workers; and exclusion of small firms. There is thus an urgent need to improve both European and national pay data.

1.2. Patterns and trends in the gender pay gap

According to the European Structure of Earnings Survey (ESES), the average gender pay ratio varies from 66% in the UK to 84% in Sweden. Data from the European Community Household Panel (ECHP) show an alternative pattern due to the inclusion of public sector workers, resulting in major differences in the
measured gap for some countries (especially Portugal). Trends in the gender pay gap, according to the limited harmonized information available (ECHP and the Harmonised Earnings Database), show a narrowing in most countries during the mid-to-late 1990s, although there is conflicting evidence for some countries. A check with national data demonstrates that only five countries register a narrowing of the gap in all three sources of data.

1.3. Levelling up or levelling down?

It is possible that women’s relative pay may improve at the cost of falling pay among men. Data for three member states show evidence of an increasing incidence of low pay among male and female workers alongside a widening of the gender pay gap (Austria), a worsening of low pay among male workers coupled with a narrowing of the gender pay gap (UK) and no clear relationship between trends in low pay and the gender pay gap (Italy).

1.4. Labour market divisions and the gender pay gap

A focus on variations in the average gender pay gap obscures important labour market divisions among groups of male and female workers.

First, female part-timers earn less than female full-timers in all member states, especially in Spain, France and the UK, but the country differences in the size of this penalty are not related to the incidence of part-time employment. Available data on pay trends for three countries show mixed evidence of improvement and deterioration of female part-timers’ average pay.

Second, across all member states the gender pay gap is narrower among young workers than among older workers, although again, as with the part-time pay penalty, there is cross-national variation in the size of the penalty associated with age. According to the ESES, there is very little difference in the gender pay gap across different age groups in Spain and the Scandinavian countries but a strong age penalty in Greece, France and Luxembourg. Member states also differ according to the relative size of the age-earnings payoff and whether this is shared among male and female workers.

The third labour market division is education. ESES data, which exclude public sector workers, many of whom are highly educated women, show that the gender pay gap widens with increasing education at the EU-level and this pattern is true for the majority of member states. Continued improvements in women’s education must, therefore, be accompanied by action on the higher level of gender pay inequality among highly educated workers. If women workers in each member state had the same educational attainment as men, the gender pay ratio would actually fall in six states, especially in the case of Belgium. Also, in five member states even highly educated female workers do not earn more than the average pay for all male workers (in the private sector only).

Finally, with the exception of the Netherlands, ECHP data show that gender pay inequality is higher among private sector workers than among public sector workers. Moreover, in all member states except Denmark, women working in the public sector earn, on average, more than women in the private sector – a differential of 50 per cent or more in Greece, Spain, Ireland and Luxembourg. National sources of data shed light on trends, revealing a convergence of sector differences in Denmark, steady improvement in gender pay equality in both sectors in Ireland and divergence among public sector workers in Sweden during the 1990s, with improvement in pay equity in the municipal sector and substantial deterioration in central government.
2. The adjusted gender pay gap

2.1. A ‘beginner’s guide’ to the two main methods of decomposition of the gender pay gap

Most estimates of an adjusted gender pay gap apply the technique known as the Oaxaca-Blinder decomposition to distinguish the role of productive characteristics (education, work experience, etc.) and non-productive characteristics (such as gender) in shaping the level of pay. The approach seeks to control for these differences in productivity-related characteristics between male and female workers and estimates the gender pay ratio that would prevail given equivalent characteristics. The technique has been adapted to overcome problems of sample section bias that arises because there are differences in the shares of women and men participating in the labour market. A second approach - the Juhn-Murphy-Pierce approach - represents a radical development in the decomposition technique since it also allows for cross-national differences in the shape of the overall wage structure to affect the gender pay gap.

2.2. Empirical estimates of explained and unexplained parts of the pay gap

National studies to estimate an adjusted gender pay gap have been carried out in all 15 member states. A review of a selection of these national studies reveals that all, except one for Spain, found that adjusting for gender differences in characteristics led to a narrowing of the gender pay gap. However, there is wide variation in these results, across countries, among studies within a particular country and over time. Notably, several studies find that the explained portion of the pay gap has decreased in recent years – in some cases alongside a narrowing of the unadjusted pay gap (Italy, UK) and in other cases alongside a widening of the pay gap (Finland). Also, in Ireland, despite a massive reduction in the adjusted pay gap during the 1990s, there was limited improvement in the unadjusted gender pay gap.

As well as national studies, there has been a recent proliferation of international estimates of the adjusted gender pay gap, drawing on ECHP data. The important finding from the 2002 edition of Employment in Europe (applying the Oaxaca-Blinder technique) and the study by Rice (1999) (applying the Juhn-Murphy-Pierce technique) is that gender differences in personal and job characteristics in fact explain very little of the gender pay gap in most member states. The Employment in Europe study shows that these differences explain only around 10 per cent of the pay gap at the EU level. Instead, Rice (1999) shows that much of the gender pay gap is explained by the overall dispersion of the wage structure and women’s relative position – with a wider gender pay gap strongly associated with women’s lower position in the wage distribution. The OECD (2002) also applies the Juhn-Murphy-Pierce technique and finds that adjusting for differences in country wage structures against the EU as benchmark leads to substantial differences in the widening (by up to five percentage points in the Netherlands) and narrowing (by up to four points in the UK) of adjusted pay gaps.

2.3. Country estimates of explanatory variables

Decomposition studies utilize a relatively standard set of variables to control for so-called productivity-related differences, although these exhibit major differences in explanatory power.

• Education. While the narrowing of gender differences in education is expected to narrow the pay gap, a number of national studies in fact show the reverse has occurred. Moreover, national and international studies show that the variable education does not have strong explanatory power. According to Barth et al. (2002), in Denmark, the Netherlands and Germany the pay gap among the highest educated is substantially wider than among the least educated, after controlling for differences in work experience. This suggests that women hit a ‘glass ceiling’ in the pay structure.
• **Work experience.** According to several national studies, the gender pay gap is in part the result of gender differences in labour market interruptions, with women more likely to suffer skill depreciation than men, leading to wage penalties on return to employment. However, as with education, the work experience variable explains very little of the pay gap in most studies. Also, male workers’ interruptions (military service, unemployment) are not so associated with skill depreciation. This suggests that women returners may be lower paid not because they are lower skilled, but because they lose access to jobs appropriate to their skill level. Moreover, there is gender inequality in returns to continuous experience, with some studies showing female part-timers even suffering negative returns.

• **Occupation and sector.** Strong sex segregation in employment by occupation and sector combines with segmentation of the wage structure by occupation and sector. As a consequence these variables explain a large portion of the gender pay gap in decomposition models. While some studies argue that differences in these variables reflect supply-side individual choices, other studies - for example, Employment in Europe 2002 - demonstrate their demand-side nature by incorporating measures of occupational and sectoral sex segregation. In common with several national studies, the finding is that the higher the sex segregation, the higher the wage penalty for women workers.

• **Workplace characteristics.** Studies that are interested in the potential influence of the demand-side on the wage-setting process have included workplace variables in their decomposition models (such as trade union density, firm size and female share of the work group). In both national and international studies, workplace variables explain a far higher portion of the gender pay gap than the usual human capital variables (education, experience).

2.4. **Problems with the mainstream approach**

Recent developments in applications of the decomposition approach have done much to improve our understanding of the role of wage structures and workplace characteristics in explaining the gender pay gap. However, many data sets still lack workplace variables and the Oaxaca-Blinder technique still remains the dominant technique used to evaluate the gender pay gap. A number of serious problems with this technique can be pointed out. First, choice and definition of control variables is constrained by the quality of the data set and the researcher’s subjective attitude towards what constitutes labour market discrimination. Use of proxy variables for work experience is both particularly common, and problematic. Second, the decomposition approach assumes a neat distinction can be made between the ‘explained’ and the ‘unexplained’ portions of the gender pay gap, but this is erroneous since acquisition of education, length of experience and choice of occupation also reflect labour market discrimination. As such, the approach cannot inform policy since it cannot identify the causes (whether they are supply-side or demand-side generated, for example) of a particular relationship between a control variable and the gender pay gap. Even Oaxacca, in his original study, was concerned that controlling for occupational differences would lead to an underestimation of sex discrimination since occupation barriers are themselves sources of discrimination. Variables that incorporate more detailed occupational categories have even greater explanatory power, but this is largely because they factor out of the analysis discrimination in promotion practices and obstacles to advancing between occupational categories.
3. Structure of wages and the gender wage gap

3.1. Wage structures and the gender pay gap

Three factors have called attention to wage structures in explaining trends in the gender pay gap in the 1990s. First, comparative research has highlighted the differences in the penalties attached to employment in female-dominated jobs. Second, the traditional explanatory factors—particularly education and experience—have begun to lose their power. New explanations have been sought in the changes to the prices attached to characteristics, in particular in the rising price for skill. Finally, wage policy at member state level and at the EU has tended to promote wider wage differentials, developments which could have major implications for the gender pay gap unless monitored.

3.2 Differences in the shape of the wage structure and the gender pay gap

There is some evidence of a positive correlation between the size of the gender pay gap and the degree of wage dispersion. If, as in compressed wage structures, the penalty attached to holding a relatively low paid job is not so great, then the gender pay gap will tend to be narrower.

There are differences across EU states in the size of the gender pay gap between the lower and the upper parts of the wage structure. In some countries there is a much larger gap at the top end of the distribution than at the bottom while for others the pattern is reversed. This information suggests the need for a more differentiated policy agenda for member states to tackle the gender pay gap than if we only consider gaps in average values. Particular attention needs to be paid to the low paid as a gap of over 20% for this group must be even less acceptable than at higher ranges. These countries include the UK, Ireland, Austria and Germany. In some countries, the gender pay gap at the average or median level may appear relatively favourable but the disaggregated analysis reveals a particular problem at the top end of the distribution—notably Finland, Sweden and the Netherlands. For Portugal and Spain women’s mean average pay is boosted by high ratios at the top end of the distribution.

3.3 Relative wages in female dominated occupations, industries or contracts and the implications for equal value.

One of the common problems facing women in all countries is their relative concentration in low paid segments and occupations. A study for the OECD of pay in female-dominated occupations found that the size of the pay penalty in these jobs varied widely across seven countries. The Structure of Earnings Survey allows a similar exercise for most European member states, although confined to private sector occupations. A similar range of variation is found: for example the ratios of female earnings for sales persons, expressed as a share of average male full-time earnings in the whole private sector, varied from 46.3% in the UK to 74.5% in Sweden.

Differences in wage structures apply not only to occupational and industrial differentials but also to differences by contract type. Temporary contracts attract lower earnings, even after adjusting for occupation and level of skill in the job. Whether men suffer most from pay reductions in temporary jobs or women varies between countries. There is less evidence of a negative impact for part-time jobs on pay after controlling for occupation, amongst other variables, but the problem with part-time work may be its concentration in low paying occupations, for both full and part-timers. The UK stands out as a country which imposes an extra penalty on part-time workers even after controlling for all the characteristics of part-time work.
4. Wage formation systems and the gender pay gap.

4.1 Collective bargaining systems and the gender pay gap

Four dimensions of the collective bargaining system are important in shaping the gender pay gap.

4.1.1 Collective bargaining coverage and the system of minimum wage determination

The formal coverage of collective bargaining systems in most EU member states has remained high over the past decade. In the majority of EU countries the overwhelming majority of employees are covered by collective bargaining agreements. The UK is the main exception where by 2000 the coverage had fallen to 42% even for establishments with more than 10 employees. Six EU countries rely on collective agreements as the main mechanism used for regulating low pay but the coverage is not necessarily complete, particularly where extension mechanisms are not used—e.g., for example, Denmark—or where they are incomplete—for example, Germany. Many of the gaps in the coverage of the German collective bargaining system have been attributed to new industries, in services sectors, often with a high female share. Female-dominated sectors, particularly in the private sector, also tend to have much weaker traditions of collective bargaining. This weakness applies to the level of wages negotiated and to the content of collective bargaining.

4.1.2 The coordination of wage determination systems, across occupations, firms and sectors

Women’s pay has tended to be better protected by more coordinated and articulated bargaining systems, although there is nothing inevitable about this relationship. Over the past decade the trend in most member states has been towards more decentralisation of pay and fragmentation of wage determination. Particular strong examples of this trend include Italy and Denmark.

Evidence does suggest that the more pay determination is decentralised, the wider the resulting pay differentials. This outcome may be attributed to several factors: greater opportunities for men to bargain for higher wages at the local level; greater discretion for managers in locally-determined wage setting; greater difficulty in measuring or improving performance rates in some female-dominated sectors, particularly the care sectors. The need for gender auditing of the impact of these systems is clear.

4.1.3 The embeddedness of gendered norms and valuations in the collective bargaining systems, minimum wage systems and job gradings

Wage determination systems influence the value attached to jobs and skills associated with female and male labour respectively. Female-dominated sectors tend to be lower paid than male-dominated segments; this applies in some countries not just to average wages but also to minimum wages, even though the minimum job grade in each sector could be expected to involve relatively comparable levels of skill. A further source of gender inequality is the valuation of jobs within collective agreements at the company and sectoral level. Few countries report major progress in developing more gender sensitive job classification systems, although a number of initiatives and studies are still underway. Obstacles to progress seem to lie in the lack of interest by the social partners, in problems in implementation and in concerns about the potential impact on commitment to collective bargaining arrangements. A new law in France has made it obligatory on social partners to bargain over equality issues including occupational pay and grading, but the effects of the legislation have not yet been felt.
4.1.4 The social norms and values influencing changes in wage rates and wage systems.

Differences in wage structures emerge out of a range of forces but include the influence of social norms and values. Differences in social norms can help explain the differences in outcomes for gender equality from apparently similar systems of wage determination. For example, coordinated centralised systems of bargaining found in Scandinavian countries and Austria have resulted in very different levels of the gender pay gap, explained by the importance of solidaristic norms in Scandinavia and their ‘irrelevance’ within the Austrian system.

Social norms also evolve over time. Individualised and performance-related systems of wage determination have become more acceptable in the 1990s and 2000s, although the extent of adoption still varies between member states. Individualisation provides more scope for managerial discretion, for higher pay rises for the higher skilled and for variations between companies and sectors for similar categories of labour and has coincided with a comparative neglect of improvements for low paid workers.

4.2 Minimum wage systems and the gender pay gap.

The effectiveness of minimum wage protection systems is critically important for gender pay equality as women are more likely than men:

- to be concentrated in jobs affected by minimum wage regulation;

- to be in jobs or sectors where there is limited scope for collective bargaining, thereby increasing the importance of labour market level regulations;

- to be more concentrated in jobs that may be excluded from minimum wage regulations, either formally or in practice. The coverage and enforcement of minimum wage regulation thus takes on particular importance for gender equality.

The developments in minimum wage policy are not all in one direction. Their coverage has become more complete with the establishment of new national minimum wage systems in the UK and Ireland, to the benefit of women and part-timers. OECD data reveal rather dramatic differences between the nine member states in the level of the statutory minimum wages, with the values ranging between 32% and 61% of full-time median earnings. When we look at trends in relative value- that is relative to median full-time earnings- we find that in five out of seven countries, the relative value of the minimum wage has declined over the decade. A relatively high minimum wage has been maintained in France through the operation of a fixed formula with respect to uprating. Minimum wages set under collective bargaining systems have also declined in relative terms in some countries, for example Italy and Austria. The share of women who are paid at or close to the minimum wage exceeds that for men in all cases with ratios of 2 to 1 or greater in most cases.

Despite a clear connection between low pay and gender pay inequality, policy towards low pay has been primarily driven by employment objectives. Thus, at the same time as advocating policies to reduce the gender pay gap, policymakers have aimed to keep down the level of wages at the bottom of the labour market to maintain employment opportunities and to promote low wage jobs. In Germany for example there is an ongoing debate about introducing lower wage levels to stimulate service sector development. The opposition to these developments has come from the trade union movement but it has not been formulated in terms of its potential effect on the gender pay gap.

Gendering the debate on policy in the low paid segments of the labour market is essential. It is perhaps surprising that there has been little or no development in Europe, in contrast to the US, of new campaigning to improve the minimum
wage or to establish the minimum wage as a 'living wage'. New social movement unionism in the US has been important in both providing better wages for the disadvantaged but also at mobilising women and migrant workers into unions.

4.3 Mainstreaming pay policies at the company or sector level

4.3.1 Wage formation in the private sector.
The private sector tends to provide both the highest and the lowest paid jobs. One important issue for women is to achieve more equal remuneration for their skills at the top end of the labour market. However, one political issue must be to determine whether the main objective is for women to follow the upward trend in men’s earnings through individual bargaining or to move the system back towards more collective and transparent systems of wage determination.

In the lower paying segments of the private sector, female-dominated sectors are often less well covered by collective agreements or remunerated at lower wage levels. Trends towards more discretion for management in the determination of pay and the increasing use of subcontracting may create further problems. Moreover many women who work in the private sector in some countries may be excluded from wage regulation because they are informal sector workers, or involved in family businesses as self employed.

4.3.2 Wage formation in the public sector
The gender pay gap tends to be smaller in the public than the private sector, in part reflecting the high share of well-educated women in the sector. Women tend to account for a disproportionate share of public sector employment. Moreover the sector also accounts for a high share of jobs for the more educated women, thereby affecting the returns to education that forms the basis for the adjusted pay gap calculations. The public sector plays a different role in shaping the gender pay gap, dependent in part on the level of development of the economy and the associated pattern of integration of women into the labour market. In the Scandinavian countries the debate is whether the decreasing and even negative wage premium in the public sector can be attributed to the better family friendly policies for women or to the monopsony power of public sector employers. This debate is, however, less relevant in other countries where public sector pay for educated women is less unfavourable and where there are less well developed family friendly working policies in the public sector.

Public sector pay is strongly influenced by public policy. There is thus scope for decisions to be made on whether to develop pay systems that favour or otherwise gender equality. There is also a high risk that trends in pay will be influenced by factors such as macroeconomic conditions - for example, the stability pact. Another risk for the future of the gender pay gap is the impact of the restructuring of the public sector, involving privatisation and subcontracting to the private sector. Another development in some countries is a commitment to gender pay equality plans and initiatives in the public sector. Gender mainstreaming should bring these two processes together to examine not only internal gender differences but also the gender implications of the externalisation policy.

5. National policy initiatives and the gender pay gap

While there is a need for gender mainstreaming of general pay policies, there is a parallel need to develop specific policies designed to close the gender pay gap, particularly to bring about a levelling up of women’s pay rather than a levelling down of men’s pay.

5.1 Gender equality initiatives related to pay and grading systems.
In most member states, legal cases on equal pay are relatively rare and sometimes they have provided contradictory decisions. The UK provides the prime example of a country where
equal pay cases have been actively pursued by the trade unions, particularly in the public sector. There is more evidence of voluntary actions to subject conventional grading systems to review, although for some countries the debate over pay structures has still hardly started. However, there is also rather limited progress in actually changing grading structures even where initiatives have been underway for some time. Obstacles to progress include women’s relative lack of bargaining strength and limited interest or commitment from the trade unions. There are also some real fears that such a policy could undermine trade union influence over wage setting. Employers may also be reluctant to admit to discrimination. Further restrictions include the limitation of comparisons to occupations within the same employing organizations. This prevents the establishment of equal value across organizations and may even prevent any case being made by women workers in organizations with no relevant male comparators. Finally there is the problem that job grading has become a less important part of total remuneration, as an increasing share of the pay package is related to appraisal of individual characteristics. There is a need therefore not just to address job demands but also the evaluation of individual performance.

Despite these very real obstacles, there are still new initiatives, particularly in the public sector. These efforts are being complemented in some countries by new efforts to encourage gender pay audits and action plans or new approaches to equality bargaining in collective agreements. This renewed interest in gender pay audits at the organisation level has reintroduced the role of the employer and the design and implementation of pay systems as factors in the generation of gender pay gaps. However, the focus on the individual organisation directs attention away from the overall system of wage formation and the extent of equal pay for work of equal value between organisations.

The active involvement of trade unions, works councils or the machinery of collective negotiation is a prerequisite for the successful implementation of a gender pay equality policy. In France there has been relatively little sign that unions on their own would be willing to pursue equality issues. This led to a new law requiring there to be bargaining on equality issues. Changes to collective bargaining arrangements have led to some greater awareness of gender issues: for example in Belgium there has been an enhanced role for federal or national level negotiations and the government has introduced equality issues into the national bargaining agenda. In Spain there have been moves to extend and deepen the process of collective bargaining; this has resulted in a spread of equal opportunities clauses and issues within collective agreements.

5.2. Policies to change women’s position within labour market structures

For many governments and indeed social partners, the problems of the gender pay gap lie not in payment structures or systems but in women’s position within the labour market. Policy, according to this view, should focus as much on changing women’s position as on changing the pay and status attached to their type of work. A number of countries have instigated reviews of equal opportunities issues within the civil service and these reviews may lead to action on a number of fronts. Gender pay audits may also indicate remedies relating to promotion procedures, job ladders, etc. However, such policies will be less effective if they take the existing structures of pay and grading as gender sensitive.

5.3. Policies to reduce the impact of childcare responsibilities on the gender pay gap.

There are three main policy approaches to addressing the potential negative impact of women’s responsibility for childcare on women’s subsequent careers. The first is to provide more external assistance with childcare to allow women to pursue similar employment histories to those of men. The second is to allow for more
diverse employment patterns, through facilities for flexible working, coupled with policies designed to reduce discrimination against part-time or flexible workers. The third is to address the need to change the male norm of full-time continuous working by providing for more flexible or shorter hours for all and to encourage male as well as female participation in leave arrangements and flexible working. Most policy initiatives fall into the first and second category. There has been a major expansion of childcare provisions since childcare became a main issue in the European employment strategy. Policies under flexible working primarily involve increased leave provision and policies to allow flexible or shorter working hours. Most of the increased leave in other countries has been on an unpaid or low paid basis, thereby not addressing the differences in participation in leave between mothers and fathers. Divisions between male and female workers in the labour market are likely therefore to remain, particularly if it is the public sector rather than both private and public sectors that adopts family friendly working.

5.4 National policy approaches in member states to closing the gender pay gap.

There are wide differences between member states in the extent to which there is an identifiable national policy debate and national policy to address the gender pay gap. For some the debate has hardly begun or is based on the assumption that the main cause of the gender pay gap lies not in labour market structures and practices but in women’s behaviour and characteristics. Closing the gender pay gap from this perspective will be the outcome of equal opportunities policies and not the means for achieving equal opportunities. Signs of a new approach to gender issues and equal pay have in some cases been placed in question due to changes in government in the member state. In Denmark the new law requiring publication of earnings data at the workplace level is being postponed and in France the new law requiring bargaining on equality issues is coming into force just as the government that introduced the law goes out of office. In the Netherlands and the UK there has been some recent action by government; in the first case an Action Plan on equal pay has been launched. In the UK the government is calling for compulsory pay audits in the public sector and encouraging voluntary audits in the private sector. In Finland there has been a longstanding awareness of gender pay issues but there is little action to redress the undervaluation of women’s jobs. There is perhaps more optimism and action in Sweden where there is a push to gender mainstream all areas of social and economic life including pay issues at the organisation level.

6. Conclusions

The traditional or mainstream approach to the gender pay gap has focused primarily on gender gaps and in particular women’s deficiencies relative to the attributes of men. This approach has not provided a very good guide to policy; as women have closed the gaps in education and experience, other factors have apparently become more important in explaining the gender gap. Moreover many of these studies leave out of account the influence of the work environment – the general wage structure in the economy and the specific characteristics of the workplace. Once these are included they often provide new insights into the problems of the gender pay gap, suggesting the need to gender mainstream pay policies and practices. However, up until now there has been little evidence of a mainstreaming approach. The three perhaps most important elements of pay policy over recent years – trend declines in the minimum wages, moves towards more decentralisation and individualisation, and the restructuring of the public sector – have been and are being carried out with little or no reference to the gender effects.

The differences between countries in the structure, level and form of wage differentials suggests that there is clearly scope to make improvements in the equity of wage structures without endangering productivity or efficiency. The current wage system reflects outdated and
inappropriate notions about women’s potential productivity level and their financial dependence on men. These need to be rooted out of European pay structures if we are to achieve a socially efficient society. Gender differences in earnings opportunities reinforce traditional divisions of labour at the household level. European member states are investing in the education of women to the same or even to a greater extent than men but have not yet recognized the need to change the labour market to ensure that these investments are fully utilised.

Gender mainstreaming involves questioning the existing structure of wages and current trends. There is the issue whether gender equality requires that the minimum wage should be linked to some notion of minimum living standards for an independent adult, and not based on a notion of a dependent worker who needs support from the family or the state. Gender mainstreaming also involves questioning whether the changes in rewards to higher paid workers are really required as incentives for people to take on these jobs or whether they are the outcome of men’s differential bargaining power.

While the argument of this report is the need for gender mainstreaming of pay policies and practices, there are relatively few examples where this has been taken on board. Three examples can be provided: the new law in France which makes bargaining on equality issues a compulsory element of collective bargaining; the Swedish Equal Opportunity Act that requires companies to make public their wage structures by gender and to take action to overcome problems of gender inequality and the campaign in the UK by the trade unions against a two tier workforce in public services that could lead to a widening gender pay gap.

Gender mainstreaming offers no automatic cure for gender pay inequality. It is not a quick fix, but nor is it tied to the success or failure of any specific policy. Instead it should be considered a continuous process of analysis and response; a process, however, that has hardly yet begun.
Les écarts de traitement entre les hommes et les femmes et l'intégration de la dimension de genre dans les politiques salariales

Résumé

La réduction des inégalités salariales entre hommes et femmes se retrouve à l’ordre du jour des politiques européennes et la présente étude réalisée par le Groupe d’experts européens sur les femmes et les hommes dans l’emploi s’inscrit dans ce débat. Il s’agissait en premier lieu d’examiner l’approche traditionnelle en matière de disparités salariales, laquelle consiste à distinguer deux dimensions, dont l’une s’expliquerait par les différences des caractéristiques personnelles, et l’autre aux pratiques discriminatoires. Une telle approche s’avérait trop limitée pour expliquer les variations nationales en matière de disparités salariales entre les hommes et les femmes dans l’UE. De nouvelles données économétriques, de l’OCDE et d’ailleurs, montrent l’importance de la structure salariale dans les modalités de l’inégalité des rémunérations. Le présent article argue que l’intérêt accru accordé aux disparités salariales entre les hommes et les femmes, dans l’UE et dans les pays membres, doit se traduire par un débat actif sur les effets de genre des politiques salariales, et doit donc porter sur l’intégration du genre. Cette approche est importante parce qu’elle ne se focalise plus sur les déficiences ou les déficits féminins mais sur la mise en évidence et l’élimination des pratiques discriminatoires, intégrées dans les dispositions institutionnelles, les normes sociales, les systèmes de marché et les politiques salariales. Cela consiste à rechercher afin de l’éliminer la discrimination intégrée à des politiques et pratiques qui peuvent sembler neutres avant examen.

L’intégration du genre peut se justifier sur la base des remarques suivantes.

- Les disparités nationales des structures salariales s’avèrent importantes pour comprendre les écarts de rémunération entre les hommes et les femmes.
- Les modifications des structures salariales perpétuent les écarts de rémunération.
- Les disparités nationales en matière de fixation des taux salariaux entraînent des variations quant au pouvoir de discrétion directionnel.
- La ségrégation sexuelle dans l’emploi fait que les pratiques et politiques salariales de certains segments et secteurs risquent d’avoir des effets de genre différentiels. Les modifications apportées aux salaires du secteur public, ou à la réglementation des bas salaires, doivent être analysées par rapport à leurs effets de genre, ainsi que la mise en place de nouveaux systèmes de rémunération.
- Les structures salariales ne se fondent pas simplement sur la productivité des travailleurs. La réalité est bien plus complexe et reflète des influences actuelles et passées. Les normes sociales, d’une part, et les stratégies managériales de la restructuration, d’autre part, agissent de concert avec les processus du marché pour définir les systèmes de rémunération. Cette complexité offre une marge de manœuvre importante pour le changement des structures et des pratiques salariales dans les secteurs public et privé.

1. L’écart non ajusté des salaires entre les hommes et les femmes

1.1. Les limites des données sur les salaires

Il y a trois sources majeures de chiffres sur les salaires en Europe, chacune de ces sources présente un ensemble de problèmes en matière de fiabilité, d’inclusion et de fréquence. Les sources nationales se caractérisent généralement par l’absence de données sur les taux horaires, l’exclusion partielle ou totale des salariés du secteur public, le manque d’information sur les travailleurs à temps partiel, et l’exclusion des petites entreprises. Il est donc impératif de
consolider de toute urgence les données salariales européennes et nationales.

1.2. Modalités et tendances des disparités salariales entre les hommes et les femmes

Selon l’Enquête européenne sur la structure des salaires (ESES), le différentiel salarial moyen de genre va de 66% au RU à 84% en Suède. Les données fournies par le Panel Communautaire de Ménages (UCHP) indiquent une autre tendance, du fait de la prise en compte des salariés du secteur public, avec des variations importantes du différentiel pour certains pays membres (notamment le Portugal). Les écarts de genre, selon les données harmonisées limitées dont on dispose (ECHP et Données salariales harmonisées), affichent un rétrécissement dans la deuxième moitié des années 1990, bien que des tendances contraires apparaissent pour certains pays. Une mise en rapport avec les statistiques nationales montre qu’il n’y a que cinq pays qui voient se réduire l’écart pour les trois bases de données.

1.3. Nivellement par le haut ou par le bas?

Il se peut que le salaire relatif féminin augmente au prix d’une baisse des salaires masculins. Les données relatives à trois pays membres font apparaître une incidence accrue de bas salaires parmi les hommes et les femmes, en parallèle avec un accroissement du différentiel salarial lié au genre (Autriche), une détérioration des bas salaires masculins lié à une réduction du différentiel (RU), et l’absence de rapport direct entre les tendances des bas salaires et le différentiel de genre (Italie).

1.4. Les divisions du marché du travail et l’écart de salaires entre les hommes et les femmes

L’importance accordée aux variations du différentiel moyen obscurcit les divisions majeures entre hommes et femmes sur le marché du travail.

Premièrement, les salariées à temps partiel gagnent moins que celles qui travaillent à temps plein, particulièrement en Espagne, en France et au RU, mais les variations nationales de la valeur de cette pénalité sont indépendantes du taux de temps partiel. Les données sur les tendances salariales dans trois pays membres montrent qu’amélioration et détérioration du salaire moyen des femmes qui travaillent à temps partiel vont de pair.

Deuxièmement, dans tous les pays membres le différentiel salarial lié au genre est moins prononcé pour les jeunes travailleurs, mais comme pour les conséquences d’une activité à temps partiel, des variations nationales caractérisent les pénalités liées à l’âge. Selon l’ESES, le différentiel salarial entre hommes et femmes varie peu d’un groupe d’âge à un autre en ce qui concerne l’Espagne et les pays scandinaves mais la variation est forte en Grèce, en France et au Luxembourg. Des variations nationales existent également quant à la valeur relative des avantages salariaux liés à l’âge et leur répartition entre les sexes.

La troisième division du marché du travail concerne le niveau de qualification. Les données ESES, qui excluent le secteur public où sont employées de nombreuses femmes très qualifiées, montrent que le différentiel salarial s’accentue avec le taux de qualification au niveau européen et cette tendance est enregistrée dans la plupart des pays membres. La hausse du niveau de qualification féminin doit donc s’accompagner de mesures pour lutter contre l’inégalité salariale parmi les diplômés. Si les salariées, dans chaque pays membre, avaient le même niveau de qualification que les hommes, le différentiel baisserait effectivement dans six états, notamment en Belgique. Par ailleurs, dans cinq pays membres même les salariées très qualifiées ne perçoivent pas plus que le salaire moyen pour tous les salariés masculins (secteur privé uniquement).

Enfin, les chiffres de l’ECHP indiquent, exception faite des Pays-Bas, que l’inégalité salariale liée au genre est plus prononcée dans le secteur privé que dans le public. En outre, dans tous les pays
membres sauf le Danemark, les femmes qui travaillent dans le secteur public gagnent, en moyenne, plus que les salariées du privé – un différentiel de 50% ou plus en Grèce, en Espagne, en Irlande et au Luxembourg. Les sources nationales permettent de mettre en évidence certaines tendances et indiquent une convergence des disparités sectorielles au Danemark, une amélioration constante de l’égalité salariale entre hommes et femmes dans les deux secteurs en Irlande, et une divergence parmi les salariés du secteur public en Suède, au cours des années 1990, avec une plus grande équité salariale au niveau des municipalités et une dégradation sensible au niveau du gouvernement central.

2. L’écart ajusté des salaires entre les hommes et les femmes

2.1. Une “introduction” aux deux méthodes principales de décomposition de l’écart salarial entre les hommes et les femmes

La plupart des calculs de l’écart ajusté des salaires entre les sexes ont recours à la ventilation “Oaxaca-Blinder” afin de distinguer entre le rôle des caractéristiques productives (niveau de formation, expérience professionnelle, etc) et celui des caractéristiques non productives (comme le genre) dans la fixation des rémunérations. Cette approche vise à tenir compte de ces disparités de genre dans les caractéristiques de productivité et calcule le différentiel salarial entre les hommes et les femmes qui existerait si les caractéristiques étaient équivalentes. La technique “Oaxaca-Blinder” a été adaptée pour résoudre les problèmes d’échantillonnage biaisé dus aux disparités de participation des hommes et des femmes sur le marché du travail. Une deuxième approche, celle de Juhn-Murphy-Pierce, représente un développement radical de la technique de décomposition qui permet de prendre aussi en compte les disparités nationales en matière de structure salariale globale.

2.2. Calculs empiriques des aspects éclaircis et non éclaircis de l’écart salarial

L’examen d’un certain nombre des études nationales réalisées au niveau de l’écart salarial ajusté dans les 15 pays membres montre que, sauf pour l’Espagne, la prise en compte des variations de caractéristiques liées au genre entraîne une réduction de l’écart salarial entre hommes et femmes. Il faut noter cependant des variations importantes dans les résultats obtenus, d’un pays à un autre, d’une étude à une autre dans le même pays, et à des périodes différentes. C’est ainsi que plusieurs études révèlent que la part éclaircie de l’écart salarial a baissé au cours des dernières années – dans certains cas, en parallèle avec une réduction de l’écart salarial non ajusté (Italie, RU), et dans d’autres avec une augmentation de l’écart (Finlande). En Irlande, malgré une réduction considérable de l’écart salarial ajusté au cours des années 1990, l’on n’enregistre qu’une faible réduction de l’écart salarial ajusté.

Outre les études nationales, il existe maintenant un nombre important de statistiques internationales sur l’écart salarial ajusté lié au genre, qui se fondent sur les données de l’ECHP. Une conclusion importante apportée par l’édition de 2002 de l’Emploi en Europe (méthode Oaxaca-Blinder) et l’étude de Rice (1999) (qui applique la méthode de Juhn-Murphy-Pierce) est que les différences liées au genre dans les caractéristiques personnelles et professionnelles n’expliquent pas ou très peu le différentiel salarial dans la plupart des pays membres. Le rapport sur l’Emploi en Europe montre que ces différences n’expliquent que 10% environ de l’écart salarial à l’échelle européenne. En revanche, Rice (1999) montre que l’écart salarial entre hommes et femmes s’explique en grande partie par la dispersion globale de la structure salariale et par la position relative des femmes – un écart plus prononcé étant fortement lié à la position inférieure des femmes dans la répartition salariale. L’OCDE (2002) applique également la méthode Juhn-Murphy-Pierce et conclut que la prise en
compte des variations nationales de structure salariale, en comparaison avec les normes de l’UE, entraîne des disparités considérables dans l’acroissement des écarts salariaux ajustés (jusqu’à cinq points de pourcentage aux Pays-Bas) ou leur réduction (jusqu’à 4 points au RU).

2.3. Estimations nationales des variables explicatives

Les études par décomposition ont recours à un ensemble de variables relativement standard qui permettent de rendre compte des variations liées à la productivité, bien que leur valeur explicative varie considérablement.

. *Education.* Bien que l’on puisse s’attendre à ce que la réduction des disparités de genre en matière de niveau de qualification entraîne une réduction du différentiel salarial, un nombre d’études nationales font apparaître une tendance contradictoire. Par ailleurs, des études nationales et internationales indiquent que la variable “éducation” n’a pas de forte valeur explicative. Selon Barth et al (2002), au Danemark, aux Pays-Bas et en Allemagne le différentiel salarial parmi les personnes les plus qualifiées est sensiblement supérieur à celui enregistré parmi les groupes les moins qualifiés, et cela après avoir pris en compte les disparités en matière d’expérience professionnelle. Ce qui suggère que les femmes rencontrent un “plafond de verre” dans la structure de rémunération.

. *Expérience professionnelle.* Selon plusieurs études nationales, le différentiel salarial entre hommes et femmes est dû en partie aux disparités de genre dans les interruptions de participation au marché de l’emploi, les femmes étant plus à risque de dévalorisation de leurs compétences, ce qui entraîne des désavantages salariaux lorsqu’elles reprennent leur activité. Cependant, comme c’est le cas pour les qualifications, la variable de l’expérience professionnelle a une faible valeur explicative en ce qui concerne le différentiel salarial, et cela dans la plupart des études. En outre les interruptions d’activité des travailleurs masculins (service militaire, chômage) ne sont pas autant liées à une dévalorisation. Ce qui semble indiquer que les femmes qui retournent sur le marché du travail sont peut-être moins rémunérées non pas du fait de leurs moindres compétences mais parce qu’elles n’ont plus accès à des emplois correspondant à leur niveau de qualification. Par ailleurs, des inégalités de genre caractérisent le retour à un même emploi, certaines études révélant un bilan négatif pour les salariées à temps partiel.

. *Profession et secteur.* La forte ségrégation hommes-femmes dans l’emploi, selon la profession et le secteur s’accompagne d’une segmentation de la structure salariale selon la profession et le secteur. Par conséquent, ces variables expliquent une large part du différentiel salarial hommes-femmes dans les modèles de décomposition. Alors que certaines études avancent que les différences dans ces variables reflètent des choix individuels au niveau de l’offre, d’autres rapports, par exemple l’Emploi en Europe 2002, montrent que ces variables sont liées à la demande en incorporant des mesures de la ségrégation professionnelle et sectorielle entre hommes et femmes. En accord avec de nombreuses études nationales, il est conclu que plus la ségrégation hommes-femmes est forte, plus les désavantages sont élevés pour les salariées.

. *Caractéristiques du lieu de travail.* Les études portant sur l’effet potentiel de la demande sur le processus de fixation des salaires ont inclus les variables du lieu de travail dans leurs modèles de décomposition (à savoir le taux de syndicalisation, la taille de l’entreprise, et la part des femmes dans les effectifs). Dans les études nationales comme internationales, les variables du lieu de travail rendent compte d’une part bien plus élevée du différentiel salarial entre les hommes et les femmes que ne le font les variables humaines habituelles (niveau de qualification et expérience professionnelle).
2.4 Problèmes liés à l'approche d'intégration

Les développements récents dans les applications de l’approche décomposées ont été un facteur important pour expliquer le rôle des structures salariales et des caractéristiques du lieu de travail dans le différentiel salarial entre hommes et femmes. Il n’en demeure pas moins que de nombreux ensembles de données manquent de variables relatives au lieu de travail et que la méthode Oaxaca-Blinder reste la plus utilisée pour évaluer le différentiel salarial. Il est possible de souligner un nombre de problèmes non négligeables en ce qui concerne cette méthode. Premièrement, le choix et la définition des variables sont limités par la qualité des données et par la subjectivité du chercheur en ce qui concerne la discrimination dans l’emploi. Le recours à des variables de substitution pour l’expérience professionnelle est à la fois courant et problématique. Deuxièmement, l’approche ventilée présume qu’il est possible de distinguer clairement entre les parts “élucidées” et “non élucidées” du différentiel salarial hommes-femmes. Cela est erroné, étant donné que l’obtention de diplômes, la durée de l’expérience professionnelle, et le choix de profession reflètent aussi la discrimination du marché de l’emploi. Cette approche peut pas informer les politiques puisqu’elle n’est pas à même de mettre en évidence les causes (que celles-ci soient liées à l’offre ou à la demande) d’un rapport donné entre une variable et le différentiel salarial. Oaxaca lui-même, dans son étude d’origine, craignait que la prise en compte des disparités professionnelles amène à sous-estimer le degré de discrimination entre les sexes, étant donné que les barrières professionnelles sont déjà source de discrimination. Les variables qui incorporent des catégories professionnelles plus détaillées ont une valeur explicative encore plus forte, mais cela est surtout dû au fait qu’elles excluent de l’analyse la discrimination au niveau de la promotion et les obstacles à la progression entre les catégories professionnelles.

3. La structure des salaires et l’écart des rémunérations entre les hommes et les femmes

3.1 Structure salariale et écart des salaries

Trois facteurs ont mis en évidence le rôle des structures salariales dans les tendances des inégalités de traitement entre les hommes et les femmes au cours des années 1990. En premier lieu, des études comparatives ont souligné les disparités des pénalités liées à l’emploi dans des secteurs féminisés. En deuxième lieu, les facteurs explicatifs classiques (notamment le niveau de formation et l’expérience professionnelle) perdent de leur importance. L’on cherche maintenant à expliquer les variations du coût des caractéristiques, en particulier le coût croissant lié aux compétences. Enfin, les politiques salariales nationales et européenne ont encouragé des écarts de rémunération plus larges, qui pourrait avoir des conséquences majeures sur le différentiel des salaires hommes-femmes.

3.2 Disparités des structures salariales et écart des salaires entre les hommes et les femmes

Un rapport positif semble exister entre la taille de l’écart salarial entre les sexes et le degré de dispersion salariale. Si, comme c’est le cas dans les structures salariales tassées, les désavantages liés à un emploi relativement peu rémunéré ne sont pas majeurs, l’écart des salaires entre les hommes et les femmes sera moins important.

Des disparités sont observées d’un pays membre à un autre en ce qui concerne le différentiel de traitement hommes-femmes aux échelons inférieurs et supérieurs de la structure salariale. Dans certains pays, l’écart est bien plus large en haut de l’échelle qu’aux échelons inférieurs, tandis que le contraire s’observe dans d’autres pays. Ce qui suggère que des politiques plus différenciées s’imposent pour que les pays membres puissent contenir l’écart des salaires entre hommes et femmes, si l’on ne prend pas uniquement en compte les
écarts des valeurs moyennes. L’attention doit porter sur les bas salaires puisqu’un différentiel de plus de 20% pour ce groupe de salariés est encore moins acceptable que pour les salaires élevés. Ces pays comprennent le RU, l’Irlande, l’Autriche et l’Allemagne. Dans certains pays, le différentiel salarial hommes-femmes médian ou moyen peut sembler relativement favorable mais une analyse désagréée laisse apparaître un problème particulier en haut de l’échelle – notamment dans le cas de la Finlande, de la Suède, et des Pays-Bas. En ce qui concerne le Portugal et l’Espagne, des taux élevés en haut de l’échelle font monter le salaire moyen médian des femmes.

3.3. Les salaires féminins relatifs dans les professions, secteurs, et contrats d’emploi à prédominance féminine, et leurs implications pour la valeur égale.

L’un des problèmes auxquels sont confrontées toutes les femmes est leur concentration relative dans des secteurs et professions faiblement rémunérés. Un rapport réalisé pour l’OCDE sur les rémunérations dans les professions féminisées conclut que l’importance des désavantages salariaux liés à ces emplois varie fortement entre sept pays membres. L’Enquête européenne sur la Structure des Salaires permet d’effectuer la même étude pour la plupart des pays membres, au niveau du secteur privé uniquement. La même gamme de variations est observée: les parts des gains féminins pour le personnel de vente, exprimée en tant que part des gains masculins moyens pour emplois à plein temps dans l’ensemble du secteur privé, allait de 46,3% au RU à 74,5% en Suède.

Les disparités des structures salariales concernent non seulement les différentiels professionnels et sectoriels mais aussi les différences contractuelles. Les contrats à durée déterminée s’accompagnent de rémunérations plus faibles, même lorsque sont pris en compte la profession et le niveau de compétence. Le degré auquel les salaires masculins ou féminins baissent avec ce type de contrats varie d’un pays membre à un autre. Lorsque le type d’emploi, parmi d’autres variables, est pris en compte, l’impact négatif des emplois à temps partiel sur le salaire est moins évident. Mais le problème lié au temps partiel est que ce type de participation se concentre dans les emplois sous-rémunérés. Le RU se distingue par des désavantages additionnels pour les salariés à temps partiel même lorsque l’ensemble des caractéristiques du temps partiel sont incluses.

4. Les systèmes de régulation des salaires et l’écart des rémunérations entre les hommes et les femmes.

4.1 Les conventions collectives et l’écart des rémunérations entre les hommes et les femmes

Quatre dimensions des systèmes de conventions collectives interviennent dans l’écart des salaires hommes-femmes.

4.1.1 La couverture des accords collectifs et la fixation du salaire minimum

Le domaine d’application des accords collectifs dans la majorité des pays membres de l’UE est resté étendu au cours des dix dernières années. Dans la plupart des pays, la grande majorité des salariés sont pris en compte par des accords collectifs. Le RU demeure une exception notable, la couverture étant tombé à 42% en 2000, même pour des entreprises de plus de 10 effectifs. Dans six pays membres, les accords collectifs sont le mécanisme principal servant à réguler les bas salaires, mais la couverture de ces accords n’est pas nécessairement compréhensive, en particulier lorsque les procédures d’élargissement ne sont pas utilisées – comme au Danemark – ou incomplètes – le cas de l’Allemagne. Bien des insuffisances dans la couverture des accords collectifs en Allemagne sont attribuées aux nouvelles industries, dans les secteurs des services, où les femmes prédominent souvent. Les accords collectifs sont traditionnellement moins établis dans secteurs féminisés, notamment dans le privé. Cette insuffisance s’applique au taux des
Les salaires féminins sont généralement mieux protégés lorsqu’il existe des conventions collectives coordonnées et structurées, mais ce rapport n’est pas automatique. Au cours de la dernière décennie, on a enregistré, dans la plupart des pays membres, une tendance à une plus forte décentralisation des taux salariaux et à une plus grande fragmentation des systèmes de fixation. L’Italie et le Danemark en sont des exemples frappants.

Tout semble indiquer que plus la fixation des salaires est décentralisée, plus les différentiels de rémunération sont élevés. Ce résultat peut s’expliquer par plusieurs facteurs: plus de possibilités pour les hommes de négocier des taux de rémunération plus élevés au niveau de l’entreprise, une plus grande marge de manœuvre offerte à la direction pour fixer les taux salariaux dans l’entreprise, une plus grande difficulté à mesurer et améliorer les taux de performance dans certains secteurs féminisés, notamment dans les professions de soins. Il est clair qu’un audit de genre s’impose sur l’impact de tels systèmes.

Les systèmes de fixation des salaires influencent la valeur attribuée aux emplois et aux compétences associées au travail masculin et au travail féminin. Les secteurs féminisés se caractérisent par des taux de rémunération inférieurs; dans certains pays, cela s’applique non seulement aux salaires moyens mais également aux salaires minima, bien que l’on puisse s’attendre à ce que les grades inférieurs dans chaque secteur impliquent des niveaux de compétences comparables. L’inégalité entre les hommes et les femmes est due aussi à l’évaluation des fonctions au sein des accords collectifs au niveau de l’entreprise et du secteur. Un petit nombre de pays font part de progrès sensibles en ce qui concerne la mise en place de systèmes de classification des emplois plus neutres par rapport au genre, mais un certain nombre d’initiatives et d’études sont en cours. Les obstacles semblent être le manque d’intérêt de la part des partenaires sociaux, les problèmes de mise en œuvre, et l’inquiétude que souleve l’effet potentiel sur les conventions collectives. En France, une nouvelle législation rend obligatoire la négociation des questions d’égalité, y compris salaire par profession et classification, par les partenaires sociaux. Les effets de cette législation ne se sont pas encore fait sentir.

Les disparités des structures salariales sont dues à toute une gamme de facteurs qui incluent les normes et les valeurs sociales. Cette variation des normes peut contribuer à expliquer les disparités des acquis en matière d’égalité entre hommes et femmes, en présence de systèmes de régulation des salaires apparemment semblables. C’est ainsi que les conventions collectives centralisées et coordonnées que l’on trouve dans les pays scandinaves et en Autriche ont abouti à des écarts salariaux hommes-femmes très différents. Ce qui s’explique par l’importance des normes de solidarité dans les pays scandinaves et par le “manque de pertinence” de ces normes dans le système autrichien.

Les normes sociales évoluent avec le temps. Les systèmes de fixation des salaires individualisés et liés à la performance sont devenus plus acceptables depuis les années 1990, bien que le taux d’adoption de ces systèmes varie d’un pays à l’autre. L’individualisation fait une plus grande part à la discrétion de la direction, permet des hausses de salaire plus élevées pour les personnes les plus qualifiées et entraîne...
des variations entre entreprises et entre secteurs pour des catégories d’emploi similaires. Elle a coïncidé également avec un manque relatif d’intérêt accordé au cas des bas-salariés.

4.2 Les systèmes des taux minima et l’écart des salaires entre les hommes et les femmes

Les systèmes de protection des taux de salaire minima s’avèrent d’une importance vitale pour l’égalité de traitement entre les sexes, du fait que les femmes sont plus susceptibles que les hommes:

. de se concentrer dans les emplois affectés par les taux minima.

. de se retrouver dans des emplois ou des secteurs qui offrent peu de possibilités d’accords collectifs, ce qui accroît l’importance de la réglementation du marché du travail.

. de prédominer dans les emplois exclus de la réglementation des taux minima, officiellement ou dans la pratique. La couverture et la mise en vigueur des taux minima est particulièrement importante pour l’égalité entre les hommes et les femmes.

Les développements des politiques des taux minima ne sont pas unidirectionnels. Leur couverture s’est élargie avec la mise en place de nouveaux systèmes de taux minima au RU et en Irlande dont ont bénéficié les femmes et les salariés à temps partiel. Les statistiques de l’OCDE font apparaître des disparités frappantes entre neuf pays membres en ce qui concerne les taux minima obligatoires, avec des valeurs allant de 32% à 61% des gains médians à temps plein. Pour les tendances de la valeur relative (par rapport aux gains médians à temps plein), nous pouvons observer que dans cinq pays sur sept, la valeur relative du salaire minimum a baissé. Un taux minimum relativement élevé s’est maintenu en France du fait d’une formule fixe par rapport à la valorisation. Les taux minima fixés dans le cadre d’accords collectifs ont eux aussi baissé, quant à leur valeur relative, dans certains pays comme l’Italie et l’Autriche. La part de femmes qui perçoivent le salaire minimum ou en sont proches dépasse la part masculine dans tous les cas et avec des coefficients de 2 sur 1 ou plus dans la plupart des cas.

Bien qu’il existe un lien clair entre les bas salaires et l’inégalité de traitement entre les hommes et les femmes, les politiques liées aux bas salaires ont principalement des objectifs d’emploi. Tout en appelant à des politiques qui réduiraient l’écart salarial entre hommes et femmes, les décideurs ont visé à maintenir de faibles niveaux de rémunération aux échelons inférieurs du marché de l’emploi en faveur des opportunités d’emploi et pour promouvoir les emplois à bas salaires. En Allemagne, par exemple, l’introduction de taux salariaux inférieurs pour stimuler le développement du secteur des services continue de faire l’objet d’un débat. Les syndicats s’opposent à de tels développements mais cette opposition ne s’est pas exprimée en termes de l’effet potentiel sur l’inégalité des salaires entre les hommes et les femmes.

Il est essentiel de faire intervenir le genre dans le débat sur les segments faiblement rémunérés du marché de l’emploi. Il est peut-être surprenant que, contrairement aux États-Unis, l’Europe n’ait pas enregistré de nouvelles campagnes pour augmenter le salaire minimal ou pour établir ce salaire minimal comme un “salaire permettant de vivre”. La nouvelle syndicalisation du mouvement social aux États-Unis a joué un rôle important pour permettre des salaires plus avantageux pour les moins favorisés, et pour encourager les femmes et les travailleurs migrants à se syndicaliser.

4.3 L’intégration des politiques salariales au niveau de l’entreprise et du secteur

4.3.1 La fixation des salaires dans le secteur privé

C’est dans le secteur privé que se retrouvent les emplois les plus faiblement rémunérés. Il est important pour les femmes d’obtenir
une plus grande égalité de traitement aux échelons supérieurs du marché du travail. Cependant la question se pose de savoir si l’objectif principal pour elles est de suivre la tendance à la hausse des salaires masculins par le biais des accords individuels, ou d’orienter le système vers une fixation des salaires plus collective et transparente.

Dans les segments à faibles salaires du privé, les secteurs à prédominance féminine sont moins souvent pris en compte par les accords collectifs et attirent des taux salariaux inférieurs. La plus grande marge de manœuvre accordée à la direction pour fixer les taux salariaux, ainsi que le recours accru à la sous-traitance, risque de poser d’autres problèmes. En outre, de nombreuses femmes qui travaillent dans le secteur privé, dans certains pays, risquent d’être exclues de la réglementation salariale parce qu’elles sont dans le secteur informel ou qu’elles sont des travailleuses indépendantes dans l’entreprise familiale.

4.3.2 La fixation des salaires dans le secteur public

L’écart des salaires entre hommes et femmes est moins important dans le secteur public que dans le privé, ce qui reflète en partie la forte participation de diplômées dans ce secteur. Les femmes sont sur-représentées dans l’emploi public, et ce secteur comprend une part importante d’emploi occupés par des femmes à niveau de qualification élevé, ce qui affecte les retours à la formation sur laquelle se fondent les calculs de l’écart salarial ajusté. Le secteur public interviennent de manière différente dans l’écart de rémunération hommes-femmes, en fonction dans une certaine mesure du niveau de développement économique et des modalités connexes d’intégration des femmes sur le marché du travail. Dans les pays scandinaves, la question débattue est de savoir si la prime salariale décroissante et même négative enregistrée dans le secteur public est due à des politiques plus favorables aux familles ou bien au pouvoir de monopspone des employeurs du secteur public. Ce débat est moins pertinent dans d’autres pays où les salaires de ce secteur sont moins désavantageux pour les diplômées et où les politiques familiales sont moins développées dans le secteur public.

Les salaires du secteur public sont fortement influencés par les politiques gouvernementales. Il est donc possible d’opter pour des systèmes salariaux qui favorisent l’égalité entre les sexes. Le risque existe également que des facteurs tels que les conditions macro-économiques, par exemple le pacte de stabilité, influent sur les tendances salariales. Un autre facteur qui risque d’affecter les disparités de rémunération hommes-femmes est la restructuration du secteur public qui s’accompagne de privatisation et de sous-traitance. Dans certains pays, on enregistre une volonté du secteur public de promouvoir des mesures en faveur de l’égalité. L’intégration de la dimension du genre devrait permettre de concilier ces deux processus afin d’examiner les disparités de genre internes ainsi que les implications sexuées des mesures d’externalisation.

5. Les politiques nationales et l’inégalité de rémunération entre les hommes et les femmes

La nécessité qu’il y a d’intégrer le genre dans les politiques salariales d’ensemble ne doit pas faire oublier que des politiques spécifiques destinées à éliminer les disparités s’imposent également, en particulier élever les salaires féminins plutôt que de niveller les salaires masculins par le bas.

5.1. Les mesures en faveur de l’égalité hommes-femmes liées aux systèmes de rémunération et de classement

Dans la plupart des pays membres, les affaires juridiques sur l’égalité salariale sont relativement rares et les décisions ont parfois été contradictoires. Le RU est un exemple clair d’un pays où les syndicats, particulièrement dans le secteur public, suivent activement les cas d’égalité de traitement. Il semble également que les systèmes traditionnels de classification
soient spontanément ré-examinés mais le débat sur les structures salariales est à peine lancé dans certains pays. Peu de progrès ont été réalisés dans la modification des systèmes de classification même lorsque des mesures existent déjà depuis un certain temps. Les obstacles rencontrés incluent le pouvoir de négociation relativement faible des femmes et le manque d’engagement et d’intérêt des syndicats. L’on s’inquiète également que ces politiques affaiblissent l’influence des syndicats sur la régulation des salaires. Les employeurs peuvent aussi hésiter à faire état de pratiques discriminatoires. D’autres restrictions sont dûes au fait que les comparaisons des professions s’effectuent au sein d’une même organisation. Cela entrave l’intégration de la valeur égale entre organisations et peut même empêcher les femmes de faire appel en l’absence d’indices de comparaison masculins appropriés. Enfin, il faut également noter que la classification des fonctions a perdu de son importance dans le salaire total où interviennent de plus en plus l’évaluation des caractéristiques individuelles. Il est donc nécessaire de se focaliser non seulement sur les fonctions requises mais aussi sur l’évaluation de la performance individuelle.

En dépit de ces obstacles bien réels, de nouvelles initiatives sont lancées, notamment dans le secteur public. Ces mesures s’accompagnent, dans certains pays membres, d’efforts en faveur d’audits de genre et d’actions et nouvelles approches pour intégrer l’égalité dans les conventions collectives. Ces efforts au niveau de l’organisation réintroduisent le rôle joué par l’employeur et l’étude et la mise en place des systèmes de rémunération en tant que facteurs qui déterminent les inégalités. Cependant, l’intérêt porté à l’organisation individuelle fait négliger le système global de régulation des salaires et le degré de salaire égal pour travail de valeur égal d’une entreprise à une autre.

La participation active des syndicats, des commissions salariales ou des systèmes de conventions collectives est une condition sine qua non à une mise en œuvre effective de mesures d’égalité salariale entre les hommes et les femmes. En France, il semble peu probable que les syndicats soient prêts à poursuivre seuls les questions d’égalité de traitement. Ce qui a entraîné l’élaboration d’une nouvelle loi qui impose que les questions d’égalité soient à l’ordre du jour des accords collectifs. Les modifications apportées aux modalités de négociation ont favorisé une certaine conscientisation par rapport aux questions de genre: en Belgique, par exemple, les accords fédéraux et nationaux ont vu leur rôle se renforcer et les pouvoirs publics ont introduit les questions d’égalité à l’ordre du jour des conventions nationales. En Espagne, des initiatives sont lancées pour élargir et approfondir les conventions collectives, ce qui a abouti à un élargissement des clauses d’égalité des chances au sein des accords collectifs.

5.2. Les politiques destinées à changer la situation des femmes dans les structures du marché de l’emploi

Pour de nombreux gouvernements et partenaires sociaux, les problèmes de l’inégalité de traitement ne proviennent pas des structures salariales mais de la situation des femmes dans l’emploi. Dans cette optique, les politiques suivies doivent viser à changer cette situation autant qu’à modifier les rémunérations et le statut de ces emplois. Un certain nombre de pays ont prévu des études de l’égalité des chances dans la fonction publique et ces études pourront amener à des mesures dans certains domaines. Les audits salariaux sexués peuvent aussi indiquer des solutions possibles liées aux procédures de promotion et à l’avancement de carrière. Cependant, de telles mesures seront moins effectives si elles partent du principe que les structures salariales et de classification en place sont neutres quant au genre.
5.3. Les politiques destinées à infléchir l’impact des responsabilités de garde des enfants sur les inégalités salariales entre les hommes et les femmes.

Trois approches majeures portent sur l’impact négatif potentiel qu’ont les responsabilités de garde des enfants sur la progression des carrières féminines. La première prévoit une plus grande assistance extérieure en matière de dispositifs d’accueil afin de permettre aux femmes de suivre les mêmes trajectoires d’emploi que les hommes. La deuxième prévoit des modalités d’emploi plus variées, dont l’emploi flexible, ainsi que des mesures anti-discriminatoires en faveur des salariés à temps partiel ou flexible. La troisième, enfin, porte sur la nécessité de modifier la norme masculine de participation continue à temps plein et de prévoir des horaires plus souples ou plus courts pour tous afin d’encourager les hommes comme les femmes à bénéficier de congés et d’horaires souples. La plupart des initiatives prises ont connu un développement majeur depuis que la garde des enfants occupe une place importante dans les stratégies d’emploi européennes. Les mesures liées au travail flexible incluent des possibilités de congé accrues et des horaires souples ou réduits. Par ailleurs, les congés prolongés sont le plus souvent peu ou sous-rémunérés, ce qui ne résout pas le problème des écarts de recours aux congés entre les mères et les pères. Les divisions qui existent entre les hommes et les femmes sur le marché de l’emploi risquent de se maintenir, particulièrement si c’est le secteur public seul qui adopte des politiques favorables aux familles.

5.4 Les politiques nationales des pays membres qui luttent contre l’inégalité des salaires hommes-femmes

L’existence d’un débat national sur les inégalités de rémunération hommes-femmes et de politiques visant à éliminer ces inégalités varie considérablement d’un pays à l’autre. Dans certains pays, le débat ne fait que commencer ou se fonde sur le principe que la cause majeure de l’écart salarial ne relève pas des structures et des pratiques du marché du travail, mais du comportement des femmes et de leurs caractéristiques. Dans une telle optique, la réduction de l’écart sera l’aboutissement de politiques en faveur de l’égalité des chances et non pas le moyen d’obtenir l’égalité. De nouvelles approches aux questions de genre et d’égalité de rémunération sont remises en question dans certains cas, du fait de changements de gouvernement. Au Danemark une nouvelle législation qui impose la publication des données salariales sur le lieu de travail a été repoussée, et en France une nouvelle loi sur la négociation des questions d’égalité entre en vigueur au moment même où le gouvernement responsable est sortant. Aux Pays-Bas et au RU, les pouvoirs publics ont pris certaines mesures; dans le premier cas, un Plan d’Action sur l’égalité de salaire a été lancé. Au RU le gouvernement demande à ce que des audits salariaux obligatoires soient effectués dans le secteur public et encourage les audits sur une base volontariste dans le secteur privé. En Finlande, la prise de conscience des questions salariales hommes-femmes n’est pas récente mais rien n’est vraiment fait pour remédier à la sous-évaluation des emplois féminins. La situation est peut-être plus encourageante en Suède où des pressions s’exercent pour que le genre soit intégré dans tous les domaines socio-économiques, y compris les questions salariales au niveau de l’organisation.

6. Conclusions

L’approche traditionnelle à l’écart des salaires hommes-femmes s’est focalisée sur les disparités entre hommes et femmes et en particulier sur les lacunes féminines par rapport aux attributs masculins. Cette approche n’a pas servi d’orientation satisfaisante aux politiques. Alors que les femmes ont rattrapé leurs retards en termes de qualification et d’expérience, d’autres facteurs semblent acquérir une plus grande importance pour expliquer les disparités. En outre, de nombreuses études connexes ne prennent pas en compte l’influence du milieu professionnel – la
structure salariale générale et les caractéristiques particulières du lieu de travail. Une fois intégrés, ces facteurs fournissent un nouvel éclairage sur les problèmes des inégalités salariales, ce qui suggère qu’il est nécessaire d’intégrer le genre dans les politiques et pratiques salariales. Mais rien n’indique que cette intégration ait été prise en compte. Les trois volets les plus importants peuvent être des politiques salariales au cours des dernières années, à savoir la tendance à la baisse des taux de salaire minima, les mesures de décentralisation et d’individualisation, ainsi que la restructuration du secteur public, ont été mis en place et c’est encore le cas sans que référence soit faite, ou si peu, aux effets de genre.

Les disparités nationales en matière de structure, de niveau et de type d’écarts salariaux indiquent clairement qu’il est possible de renforcer l’équité salariale sans pour cela nuire à la productivité et à l’efficacité. Le système salarial actuel reflète des notions passées et inappropriées sur le potentiel de productivité des femmes et sur leur dépendance financière par rapport aux hommes. Ces notions doivent être extirpées des structures salariales européennes si l’on veut réaliser une société socialement efficace. Les disparités hommes-femmes dans les possibilités de rémunération renforcent la division traditionnelle du travail au sein des ménages. Les pays membres investissent autant ou même plus dans l’éducation des femmes mais ils n’ont pas encore reconnu qu’il convenait de changer le marché de l’emploi pour que tirer pleinement parti de cet investissement.

Si la présente étude argue que l’intégration du genre s’impose dans les politiques et pratiques salariales, les exemples d’une telle intégration sont rares. Il est possible de citer trois cas: la nouvelle législation française qui rend obligatoire la prise en compte des questions d’égalité dans les conventions collectives; la loi suédoise sur l’Egalité des Chances qui exige des entreprises qu’elles rendent publiques leurs structures salariales selon le genre et qu’elles prennent les mesures nécessaires pour résoudre les problèmes d’inégalité entre les hommes et les femmes; et enfin la campagne lancée au RU par les syndicats contre une force de travail à deux niveaux dans les services publics qui pourrait approfondir l’ecart des salaires entre les hommes et les femmes.

L’intégration du genre n’offre pas de solution automatique aux inégalités salariales entre les hommes et les femmes. Il ne s’agit pas d’un remède miracle mais elle ne s’agit pas non plus liée au succès ou à l’échec d’une politique quelconque. L’intégration du genre doit être vue comme un processus d’analyse et de réponse continu. Un processus qui ne fait que commencer.
The Gender Pay Gap and Gender Mainstreaming Pay Policy in EU Member States

Introduction

Closing the gender pay gap is back on the political agenda. The persistence of the gender pay gap across all EU member states has led to an increasing determination among policy-makers at the Commission and member state levels both to develop practical measures of the pay gap and to design and implement policies to bring about gender pay equality (Employment in Europe 2002). This increasing attention has led to renewed interest in how the gender pay gap should be measured - whether by the difference in average earnings between women and men in the labour market, known as the unadjusted wage gap, or by an adjusted measure that takes into account gender differences in personal characteristics (such as education, age, work experience and occupation) that could be expected to explain a significant proportion of the unadjusted gap.

The origins of this report by the European Commission’s Expert Group on Gender and Employment into the gender pay gap in Europe are located in this debate. Our first task was to explore the arguments for and against using the adjusted or the unadjusted measure as the basis for evaluating progress in closing the gender pay gap. These debates, as we outline in section 2 below, revolve around whether a proportion of the gap can be explained by personal characteristics or whether these differences in personal characteristics are part of the issue to be explored - that is the gendering of labour markets and the embedding of discrimination in pay and employment structures. However, it soon became clear that even if we broadened the field of vision to incorporate the notion that differences in personal characteristics may be part of the problem to be addressed, this debate provided a too narrow focus for understanding differences in the gender pay gap across EU member states and indeed the policies and practices that need to be changed if there is to be closure of the gap. Instead we argue for a new approach which focuses on gender mainstreaming of pay policies and practices within EU member states and within the European employment strategy. This is proposed in contrast to the traditional or ‘mainstream’ approach that focuses on the explained versus the unexplained parts of the gender pay gap, without addressing how the overall structure of wages may impact on the size of the gender pay gap when comparing across countries and over time. New econometric evidence, from the OECD and elsewhere (OECD 2002, Blau and Kahn 1992, Rice 1999) has pointed to the importance of the wage structure in shaping the gender pay gap but this has still not led to an active debate on what types of pay policies and practices are needed to close the gender pay gap. The argument of this paper is that the increasing interest in gender pay inequality in the EU and member states needs to be translated into an active debate on the gender effects of general pay policies and practices.

Why gender mainstreaming?

In this report, we provide both a critical assessment of mainstream analyses of the gender pay gap and a comparative institutional analysis, which is rooted in the need to ‘gender mainstream’ pay policy. The importance of this alternative approach is that it
shifts the focus from deficits, or deficiencies, in female characteristics, behaviour and preferences to the investigation of gender pay discrimination as embedded in institutional arrangements, social norms, market systems and pay policies. Moreover, it is consistent with and follows directly from the notion of gender mainstreaming where the focus is to look for and try to remove gender discrimination effects from policies and practices that may appear gender sensitive until they are interrogated.

Several pieces of empirical evidence support the argument for developing a gender mainstreaming approach to closing the gender pay gap.

- Country differences in wage structures are important in explaining differences in the gender pay gap. This means that paying attention to the relative dispersion of wages, from the lowest to the highest paid, for example, is important in considering initiatives to close the gender pay gap.

- Country differences in systems of wage-setting are important in explaining differences in gender pay gaps. Less integrated systems provide greater scope for managerial discretion in designing new pay policies and pay structures (such as performance-related pay), necessitating the gender auditing of their impact.

- Country systems of wage setting also reflect social and political choices, through the actions of employers, unions and governments, which shape the gender pay gap. Decisions regarding the minimum wage, or rates of pay for public sector occupations (such as teachers and nurses), reflect particular norms of fairness in a society, which need to be interrogated in relation to the goal of gender equity.

- Changes in wage structures are perpetuating gender pay gaps. We need to investigate the gender dimensions of the changing structures of wage differentials (returns to education, experience and so on) and not focus solely on the characteristics of women and men.

- Gender segregation means that pay policies and practices have differential gender effects. For example, changes to public sector pay, or to low pay regulation, need to be analysed for gender effects, along with the implementation of new payment systems.

- Management policies of organizational restructuring may hinder efforts to close the gender pay gap. The introduction of new systems of work organization and training, as well as policies of downsizing, outsourcing and privatisation impact differentially on groups of male and female workers (due to sex segregation by occupation, job task and contract type) and these gender effects need to be taken into account.

This potential sensitivity of the gender pay gap to both general and specific trends in pay policies and practices suggests a strong need for gender mainstreaming of pay policy at all levels of decision-making – including government, social partners, managers and works councils. It also suggests that there are many influences on our pay policies and practices, not all of which are captured by the traditional focus on wages as a reflection of individual productivity levels.

**Broadening our understanding of the forces influencing wage structures**

To develop a gender mainstreaming approach to pay policies and practice, it is also necessary to widen the range of influences on the gender pay gap that are taken into
consideration. There is general acceptance of the possibility of indirect as well as
direct discrimination in the application of gender equality legislation; there is less
attention paid to all the potential forms of indirect pay discrimination in economic
analyses of the gender pay gap as the underlying assumption in traditional analyses is
that wage structures reflect, in the first instance, market factors, or productivity
differences. Discrimination is taken to be the only or main form of deviation from
these market or allocative influences. Even when institutional factors such as trade
unions or collective bargaining are included in studies, the analysis again tests for
whether these factors introduce variations from the underlying productivity-based
wage equations. This represents a concern with only one of the functions of wages in
the labour market – its allocative dimension, that is to equalize the cost for labour of
similar quality, thereby helping to ensure that labour is efficiently allocated according
to its productivity and price. However, the influences on wages are not confined to
this allocative function. There are two equally important other dimensions to wages –
the social and the management dimensions - that are not addressed within this
mainstream approach. A comprehensive analysis of the gender pay gap must
incorporate each of these three dimensions to the way the labour markets and wage
structures are constituted.

First, in keeping with the allocative function of the labour market, wages may act as a
signal to allocate labour between different organisations, occupations and sectors and
may thus operate to equate wages with productivity across the economy. Thus, gender
differences in characteristics of education and skill, which are important in the
allocative process, may be expected to generate gender differences in pay. Also,
where, for example, increased global trade reduces the demand for male
manufacturing workers, gender pay differences may narrow as a result of the levelling
down of male pay. Secondly, wages reflect social norms with respect to fair
differentials between types of labour, classified variously by occupation, training and
qualification, seniority, responsibilities and supervisory function and, indeed, gender.
No country allocates labour through a market auction; instead wages reflect statutory
regulation (such as minimum wages), collective bargaining, employment contracts
and statutory protection of comparative wage levels (for example equal pay
legislation, directives on treatment of non-standard workers and directives protecting
workers transferred from one employer to another). Differences in these
institutionalised processes shape gender pay equity in a particular country. Thirdly,
wages serve as a management tool within organizations and are used to motivate and
retain labour, as well as to provide clear structures for authority and career
progression. Introduction of new production systems may require innovations in work
organization, requiring new flexible payment systems, or the separating out of core
and periphery competences, leading to outsourcing of activities. Such policies are
likely to have implications for gender pay differentials.

These three functions of wages, reflecting the three dimensions of the labour market,
impact in complex and often contradictory ways on the actual structure of wages in a
particular society. In practice, this means that changes in wages tend to be incremental
or path-specific, dependent on prior wage structures established in specific
organizations and collective bargaining agreements. Organizations, or social partners,
do not and often cannot tear up their pay and grading structure and replace it with
another to reflect their current needs; instead they have to honour past pay and
grading decisions so that the mix of allocative, social and management functions is embedded in the continuing process of adjustment and adaptation.

**The organization of the report**

This report contributes to a new approach to gender pay equity which focuses on the gender mainstreaming of pay policy. It begins with an empirical assessment of trends and patterns in the gender pay gap among EU member states and details the limitations of both national and European data sources. Section 2 presents a critical appraisal of traditional analyses of the gender pay gap. It sets out ‘a beginner’s guide’ to the Oaxaca-Blinder decomposition approach and contrasts it to the more recently developed Juhn-Murphy-Pierce approach where country differences in wage structures are taken into account. The empirical results and policy recommendations from a selection of cross-national and national studies from the 15 member states are reviewed. This overview highlights the problems with the mainstream approach revealed by the national and cross-national studies and calls attention to the findings from some of the more innovative econometric studies where country differences in wage structures and workplace, rather than personal, characteristics are found to be significant in explaining the gender pay gap. Section 3 provides more specific evidence on the differences in wage structures within the fifteen member states. Not only are there differences in degrees of wage dispersion and inequality, but also differences in the pay penalty attached to working in female dominated occupations and industries. There are also differences between member states in whether the gender pay gap is wider or narrower at the top or the bottom end of the wage distribution. These variations suggest the need for targeted polices within member states, dependent upon where the major problem of gender inequality currently lies. Section 4 presents an alternative comparative institutional approach to analysing country differences and trends in gender pay inequality. Drawing on detailed evidence from all 15 member states it assesses the influence of collective bargaining systems (coverage, integration and the role of gendered, and other, norms), minimum wage systems and pay policies at organization and sector level on gender pay equality. Section 5 surveys the current state of policy initiatives at member state level designed to address gender pay issues. The report concludes by reflecting on the potential strengths and weaknesses of developing gender mainstreaming of pay policies and makes the argument that it offers the most effective framework for developing a continuous process of analysis and response in the effort to eliminate gender pay inequality.
1. The unadjusted gender pay gap

1.1. The limitations of pay data

At present, there is no source of pay data that allows for robust comparison of relative pay among European Union member states and over time. There are three main European data sets – the European Structure of Earnings Survey, the European Community Household Panel and the Harmonised Earnings Database – but each is limited by problems of reliability, coverage or irregularity. The ESES is considered highly reliable (it is based on a large sample size), but coverage is restricted to the private sector, Ireland is excluded and it is currently only available for one year - 1995. The ECHP has been carried out regularly (five waves from 1994 to 1998) and covers private and public sectors, but it excludes Sweden\(^1\), data are incomplete for the Netherlands, hourly wage data are not collected directly and there are serious problems regarding the quality of data for particular countries (see Barry et al. 2001 for more details). The Harmonised Earnings Database provides an annual survey of pay, but has limited coverage (industry and some services and with only hourly pay for manual and only monthly pay for non manual employees). Moreover, the inclusion of countries has been very patchy over the years with, for example, Italy being included only once (in 1995).

Ideally, limitations with harmonized European data could be addressed by checking trends and patterns against national sources of pay data. Surprisingly, however, in many member states (especially Belgium, Ireland, Greece and Luxembourg) the quality of national data is inferior to that of European data. This means that national sources that feed into the European data sets are often the main basis for pay analysis in the particular member state. For example, in Ireland, most analyses rely on the Living in Ireland Survey, which is the Irish element of the ECHP.

There are four main limitations to national sources of data (see Appendix Table 1 for an overview). First, in eleven countries the main national source of pay data does not collect hourly pay data for all employees, so that most analyses rely on monthly, or annual, earnings. This is problematic because it does not control for differences in hours worked between men and women. In some countries (including Greece, Luxembourg and Sweden), hourly pay data are collected for manual workers and monthly earnings for non-manual workers. Also, in Germany the *Gehalts-und Lohnstrukturerhebung* source of data collects hourly pay data for manual workers only. The second limitation is the exclusion of some, most, or all of the public sector from the data sample; this applies to the main sources of earnings data in eight countries. Again, this is especially problematic when considering gender pay inequality because of the tendency of women to be over-represented among public sector workers.

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\(^1\) Sweden is in fact excluded from the ECHP but from 1997 onwards data derived from national sources (namely the Swedish Living Conditions Survey) are included as part of the database. Therefore, ECHP data for Sweden used in the following analysis refers to data derived from national sources.
The third limitation concerns the lack of information regarding the pay of part-time workers. All countries include part-time workers in the data sample for the main sources of information, but there are only a few examples where separate pay data for part-time workers are easily accessible (most notably, the Netherlands and the UK – the two countries with high shares of female part-time workers). Finally, exclusion of small firms is a limitation in most sources of pay data across member states. Again, this may introduce sample bias problems where the concentration of male and female workers in small firms differs significantly.

Given the different limitations of both European and national data sets, in the following analysis we draw, wherever possible, on a range of sources to draw a picture of women’s relative pay across the EU. Where harmonized data are required, the data provided by the European Structure of Earnings Survey are the most reliable (Barry et al. 2001), but supplementary information on public sector pay, as well as trends over time, is drawn from the ECHP\(^2\) and national sources. Data for Germany refers to unified Germany, unless otherwise noted.

1.2. Patterns and trends in the gender pay gap

Data for 1995 from the European Structure of Earnings Survey show that the gender pay ratio among all employees in the 15 different member states ranged from a low of 66-69% in the UK and the Netherlands to more than 80% in Belgium, Luxembourg, Finland, Denmark and Sweden (Figure 1.1). These data exclude the public sector (and Ireland) so it is informative to compare the results with data from the ECHP. Figure 1.2 demonstrates the quite wide disparities between the two data sets. As expected, in all member states the average gender pay ratio is higher using ECHP data compared to ESES data, reflecting the inclusion of more highly paid women workers in the public sector. It might also be expected that inclusion of public sector data might lead to some change in the rank order of countries, reflecting differences in size of the public sector, as well as differences in relative pay. In fact, however, the difference in gender pay ratios between the two data sets is quite dramatic for some countries; the pay ratio increases by 13 percentage points in Spain and France, by 15 points in Italy and a full 23 points in Portugal. As a consequence, an assessment using the ECHP data shows that Portugal moves to top rank position (from number 12 according to the ESES data), Italy moves up four positions (from sixth to second) and France and Spain move up five positions. Such enormous differences suggest problems with the quality of ECHP pay data for these four countries, especially in Portugal where public sector pay data are generally treated as unreliable (CEC 2002: 35). In this respect, recourse to national pay data offers no help since the main national data set for Portugal, the *Quadros de Pessoal* collected by the Ministry of Labour, excludes public administration workers. The ECHP data for Italy are also surprising. Certainly Italy belongs to the group of European countries characterised by a narrow gender pay gap. Moreover, it is true that - as in most European countries - the position of women in the public sector is better than in the private sector. Nevertheless, the fact that women’s (gross hourly) earnings in the public sector exceeded, on average, those of men by 8.1% (see figure 1.13) is unrealistic. This outcome probably reflects the composition of the sample included in the survey. Unfortunately, recourse to national pay data does not allow for a direct comparison with ECHP data, as Italy does not collect hourly pay data. Nevertheless, as Villa (2002) shows, the contrast between the picture emerging from the ECHP database and all other national and international data

\(^{2}\) We do not have direct access to ECHP data for this study; it was not possible to arrange access in the timescale or within the budget available for the study.
Sources - with ECHP data consistently recording exceptionally small gender pay gaps – raises doubts, once again, on the quality of the ECHP pay data.

Figure 1.1. The Gender Pay Ratio according to the ESES (private sector)

Note: average gross hourly earnings of all female full-time and part-time employees as a ratio of average pay of all male full-time and part-time employees, excluding overtime earnings; no data for Ireland
Source: European Structure of Earnings Survey 1995

Figure 1.2. The Gender Pay Ratio according to the ESES and the ECHP

Notes: ESES 1995 - average gross hourly earnings of all female full-time and part-time employees as a ratio of average pay of all male full-time and part-time employees, excluding overtime earnings; no data for Ireland
ECHP 1995 - Average gross hourly earnings of all female FT and PT employees as % of average gross hourly earnings of males (data for Finland refers to 1996 and data for Sweden is derived from national sources)

Problems of data quality mean that any comparative analysis of trends over time for all 15 member states must be treated with caution (Barry et al. 2001). Data from the ECHP show that there is no general trend towards a closing of the gender pay gap. The unadjusted gender pay ratio for all workers increased in 8 member states and decreased in 5 states over the approximate period 1994 to 1998. However, unexpectedly strong swings in pay ratios from one year to the next are recorded for Denmark, Greece, the Netherlands and the UK, suggesting that these trends may also be picking up differences in survey quality (Figure 1.3). More robust data on pay trends are available from the Harmonised Earnings Database, although, as with the ESES, there are problems of sample coverage with the public sector and some areas of private services excluded. These data show much more consistent evidence of a rise of women’s relative pay over the period 1995 to 2000 (Figure 1.4): only three member states register a widening of the gender pay gap (Denmark, Austria and Sweden) and a narrowing of between three and four percentage points is recorded for Spain, Ireland, Luxembourg, the Netherlands and the UK.
Figure 1.3. Trends in the Gender Pay Ratio, according to the ECHP (private and public sector)

Note: Average gross hourly earnings of all female PT and FT employees as % of average gross hourly earnings of males; data for Sweden derived from national sources

Figure 1.4. Trends in the Gender Pay Ratio for Non-Manual Workers in Industry and Services, according to the Harmonised Earnings Statistics

Note: Average monthly gross earnings of female full-time employees as a ratio of average earnings of male full-time employees
Source: Harmonised Earnings Database
Comparing the direction of pay trends shown in Figures 1.3 and 1.4 (with data drawn from the ECHP and the Harmonised Earnings Database, respectively), most countries follow an approximately similar path. There are four main exceptions. In Greece and Ireland, ECHP data register fluctuations around a steady level, while the Harmonised Earnings data show an increase in the gender pay ratio for non-manual workers in industry and services (from 77 to 79%, and from 65 to 68%, respectively). And in Spain and Austria, the two data sets record trends in opposing directions. In Spain, the gender pay ratio dips by four points according to the ECHP, but increases by four points according to the Harmonised Earnings, and in Austria, ECHP data show an uneven increase in the ratio from 78% to 79%, while the Harmonised Earnings register a clear drop from 69% to 67%.

Approximate comparison against national sources of data confirms the trends in most cases, although again with some conflicting evidence (Table 1.1 and see Appendix Table 2 for details). If we consider the four countries – Greece, Ireland, Spain and Austria – with opposing trends from the two European sources of data: national data are unavailable for Greece, we find that: national data show an increase from 73% to 76% between 1994 and 2001 in Ireland, supporting the Harmonised Earnings data trend; for Spain the direction of trend differs among manual and non manual workers (from 69% to 62% and from 64% to 65%, respectively, over the period 1994-2000); and for Austria national Social Insurance Earnings data show a reduction in the gender pay ratio in common with that shown by the Harmonised Earnings (again, this is likely to be related to the similar exclusion of public civil servants from this particular source of national data). No national aggregate data are available for Greece.

Table 1.1. Comparison of trends in the gender pay ratio from different data sources for 15 member states, all employees (late 1990s)

<table>
<thead>
<tr>
<th>Country</th>
<th>ECHP Years</th>
<th>Trend</th>
<th>Harmonised Earnings Years</th>
<th>Trend</th>
<th>National data Years</th>
<th>Trend</th>
<th>National source of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>94-98</td>
<td>+</td>
<td>95-98</td>
<td>+</td>
<td>94-98</td>
<td>+</td>
<td>ONSS</td>
</tr>
<tr>
<td>Denmark</td>
<td>94-98</td>
<td>+</td>
<td>96-99</td>
<td>-</td>
<td>96-01</td>
<td>+</td>
<td>Central Bureau of Statistics</td>
</tr>
<tr>
<td>Germany</td>
<td>94-98</td>
<td>+</td>
<td>95-00</td>
<td>+</td>
<td>77-97</td>
<td>+</td>
<td>IAB</td>
</tr>
<tr>
<td>Greece</td>
<td>94-98</td>
<td>0</td>
<td>95-98</td>
<td>+</td>
<td>na</td>
<td>na</td>
<td>No aggregate data</td>
</tr>
<tr>
<td>Spain</td>
<td>94-98</td>
<td>-</td>
<td>95-00</td>
<td>+</td>
<td>94-00</td>
<td>+</td>
<td>Encuesta de Salaris</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>94-98</td>
<td>+</td>
<td>97-99</td>
<td>+</td>
<td>91-98</td>
<td>+</td>
<td>Enquete Emploi</td>
</tr>
<tr>
<td>Ireland</td>
<td>94-98</td>
<td>-</td>
<td>95-99</td>
<td>+</td>
<td>94-01</td>
<td>+</td>
<td>Central Statistics Office (industry)</td>
</tr>
<tr>
<td>Italy</td>
<td>94-98</td>
<td>-</td>
<td>95</td>
<td>0</td>
<td>95-00</td>
<td>+</td>
<td>SHIW</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>94-96</td>
<td>0</td>
<td>95-00</td>
<td>+</td>
<td>95-01</td>
<td>+</td>
<td>STATEC (industry, manual)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>94-98</td>
<td>+</td>
<td>95-99</td>
<td>+</td>
<td>95-00</td>
<td>+</td>
<td>CBS (industry, manual)</td>
</tr>
<tr>
<td>Austria</td>
<td>95-98</td>
<td>+</td>
<td>95-00</td>
<td>-</td>
<td>95-99</td>
<td>-</td>
<td>Social insurance data</td>
</tr>
<tr>
<td>Portugal</td>
<td>94-98</td>
<td>+</td>
<td>97-98</td>
<td>+</td>
<td>95-99</td>
<td>0</td>
<td>Quadros de Pessoal</td>
</tr>
<tr>
<td>Finland</td>
<td>96-97</td>
<td>-</td>
<td>95-99</td>
<td>+</td>
<td>95-99</td>
<td>+</td>
<td>Statistics Finland</td>
</tr>
<tr>
<td>Sweden</td>
<td>94-98</td>
<td>-</td>
<td>96-00</td>
<td>-</td>
<td>91-00</td>
<td>-</td>
<td>Statistics Sweden</td>
</tr>
<tr>
<td>UK</td>
<td>94-98</td>
<td>+</td>
<td>96-00</td>
<td>+</td>
<td>95-01</td>
<td>+</td>
<td>NES</td>
</tr>
</tbody>
</table>

Notes: National data for France, Ireland and Finland refer to full-time employees only.
Source: Appendix Table 2 for national data.
The surprising finding from the assimilation of evidence from different European and national sources shown in Table 1.1 is that only five member states demonstrate a consistent trend towards a narrowing of the gender pay gap during the late 1990s (Belgium, Germany, France, the Netherlands and the UK). Also, Sweden stands out as an example of a country where the European harmonised data sources and the national data set show a widening of the average gender pay gap. Given the problems with data, these results clearly ought to be treated with caution. However, it appears that the trend towards a narrowing of the gender pay gap in some countries hits a glass ceiling once women workers earn within 15 to 20 percentage points of male workers. For example, among the five countries with a gender pay ratio above 80% (according to the ESES), only Belgium registers a consistent and significant trend towards a narrowing of the gap during the late 1990s. Luxembourg experienced no change (according to the ECHP), Finland experienced a reduction in the pay ratio (ECHP). Denmark recorded a drop then an increase according to the ECHP data, a slight drop according to the Harmonised Earnings data and a rise of one percentage point according to national data. And, as stated, Sweden fell according to both European data-sets.

1.3. Levelling up or levelling down? Low pay and the gender pay gap

A single focus on closing the average gender pay gap as a means of tackling gender pay inequality ignores the problem that women’s relative average pay may improve at the cost of a deteriorating position among men. A study of the US situation, for example, shows that women gained ground on men because men suffered disproportionately from industrial restructuring and an increase in the incidence of low pay (Bernhardt et al. 1995). In the UK part of the narrowing of the overall gender pay gap during the 1990s came about as a result of greater male representation in a large and traditionally female-dominated occupation (sales assistants), coupled with a fall in the relative pay for this occupation (Grimshaw et al. 2001). In other words, in both cases a narrowing of the gender pay gap is, in part, the result of a levelling down of men’s pay.

To explore these issues further we draw on national data sources as the ESES data only provides information for one year. Figure 1.5 presents evidence from three countries on trends in both low pay among male and female workers and the gender pay ratio during the 1980s and 1990s. It is important to note that differences in data sources and definitions (both of the gender pay ratio and low pay) mean that it is not possible to make accurate cross-national comparisons. However, it is the within country patterns we are interested in here.

In Italy, following a significant reduction in the incidence of low pay during the 1980s, there was a substantial increase during the 1990s (Figure 1.5a). Among both male and female workers, the share earning less than two thirds of median pay for all full-time workers doubled, from 5% to 11% for men and from 14% to 25% for women (Brandolini et al. 2001, cited in Villa 2002). Over the same period, 1989-2000, the average gender pay ratio decreases slightly and then increases during the late 1990s. This can suggest that there is little relationship between the incidence of low pay and the average gender pay ratio – perhaps because the increasing trend in low pay has been very general, affecting both male and female workers.
Figure 1.5.(a) Trends in Low Pay and the Gender Pay Ratio in Italy

Note: GPR is average monthly net pay of female full-time employees as a ratio of male full-time pay; Incidence of low pay refers to % of employees who earn less than 2/3 of median pay of all full-time workers. Source: Villa (2002: Table 4; SHIW data); Villa (2002: Table 7; SHIW data)

Figure 1.5.(b) Trends in Low Pay and the Gender Pay Ratio in Austria

Note: GPR is for all employees, excluding civil servants, the marginally employed and incomes exceeding the highest basis of assessment in social security. Source: Social Insurance income data reported in Gregoritsch et al (2000), cited in Mairhuber (2002: 5).

Figure 1.5.(c) Trends in Low Pay and the Gender Pay Ratio in the U.K.

Note: D1/D5 data refers to lowest decile earnings of MFT, FFT, FPT workers as a ratio of MFT median pay. Source: Grimshaw et al. (2002: Table 1.1., Fig 1.2; NES data)
In Austria, the decline in the average gender pay ratio appears strongly related to the decline in the relative position of the bottom tenth of both the male and female workforce during the 1980s and 1990s (Figure 1.5b). For female workers, the relative pay at the lowest decile, compared to the median, fell from 0.52 to 0.49, and for men, from 0.62 to 0.58, while the gender pay ratio dropped from 71% to 68%. In this case, therefore, levelling down of male and female workers’ pay has occurred alongside a widening of the gender pay gap.

For the UK, the trend towards a worsening of the relative position of the low paid between 1985 and 2001 largely impacted upon male full-time workers, as well as, to a lesser extent, female part-time workers (Figure 1.5c). The relative pay at the lowest decile level for male full-time workers dropped by seven percentage points and for female part-time workers by four points. These trends suggest a convergence of patterns of low pay among male and female workers. During the same period, women’s average pay increased by around five percentage points (from 67% to 72%). In this case, therefore, the disproportionate widening at the bottom of the wage structure for male full-time workers appears to have contributed to increased gender pay equality through a levelling down of male earnings.

1.4. Labour market divisions and the gender pay gap

In more general terms, a focus on country patterns and trends in the average pay of women workers relative to the average pay of male workers obscures a range of pay gaps among different groups of men and women which constitute the average gender pay gap. Having assessed issues regarding the low paid, here we assess country differences regarding four other labour market divisions: working-time status; age; education; and public and private sector employment.

1.4.1. Working-time status

Out of the 72 million women working across the EU, one in three work in part-time jobs (33.4%, 2001 data, CEC 2002). Despite the importance of part-time employment, there is still a tendency to report the gender pay ratio for full-time workers only, as if this assures a better matching of female and male workers’ remuneration. However, part of the problem of gender inequality is women’s disproportionate concentration in part-time jobs and to focus only on a comparison of full-time jobs excludes a high share of the job opportunities for women in the labour market. Hourly pay data are in fact available from the ESES survey and as we show here, country differences in the size of the gap among full-time and part-time workers mean that for some countries improvements to part-time pay can make a significant contribution to closing the average gender pay gap for all workers.

Figure 1.6 presents the average pay of female full-timers and part-timers relative to the average pay of male full-timers for all 15 member states. In all countries except three - Greece, Italy and Portugal - there is a significant pay penalty attached to women’s part-time employment, but the size of this penalty varies. In a first group of five countries, the penalty ranges from 6 to 8 percentage points (Germany, Netherlands, Austria, Finland and Sweden), in a second group of five countries the penalty ranges from 10 to 18 points (Belgium, Denmark, Spain, France and Luxembourg) and in the UK it extends to a full 22 points. There is not a strong

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3 According to national earnings data for the Netherlands there is no significant difference in average pay among female full-timers and female part-timers (Plantenga and Sjoerdsmna 2002).
relationship between the size of the average pay gap between female full-time workers and male full-timers and the additional pay penalty experienced by female part-timers. For example, among the six countries with gender pay ratios among full-timers over 80%, the penalty experienced by female part-time workers compared to female full-timers varies from 7 to 8 percentage points (in Sweden and Finland) to ten or more points (in Belgium, Denmark and Luxembourg).

Moreover, there is no straightforward relationship between the incidence of part-time employment among women workers and the size of the pay penalty (Figure 1.7). In the Netherlands and the UK – the two countries with the highest incidence of female part-time employment (at 71% and 44%, respectively) – female part-timers earn 91% of female full-time pay in the Netherlands, while in the UK they earn just 70%. Among countries with around one in three women in part-time work (France, Denmark, Austria and Sweden), again the penalty of working part-time varies, from a ratio of 77% in France to 92% in Austria and Sweden. Finally, among countries with less than one in five women workers in part-time jobs (Greece, Spain, Italy, Portugal and Finland), the pay ratio between female part-timers and female full-timers is close to 100% in Greece, Italy and Portugal, but drops to 91% in Finland and 77% in Spain.
In general, data from national sources are not very helpful in addressing the full-time/part-time pay gap due to problems of collecting part-time workers’ earnings in most countries. Nevertheless, Table 1.2 presents data for three countries, drawing on the CBS data for the Netherlands, the Spanish Household Panel Data Survey for Spain and the New Earnings Survey for the UK. For the Netherlands, the position of female part-timers has mirrored that of female full-timers between 1987 and 2000. Relative to average male full-time pay, female part-timers have enjoyed a steady increase in the gender pay ratio matched with parity in pay against female full-time workers. In the case of Spain, annual earnings data show that the position of women part-timers deteriorated substantially over the mid-1990s – relative both to male and female full-timers – against the backdrop of a steady trend in relative pay among male and female full-timers. In the UK the picture is somewhat different with a collapse in relative pay compared to female full-timers and a steady level of relative pay against male full-timers, against a backdrop of a significant catching up of female full-timers’ pay compared to male full-timers’. In both cases, therefore, the position of female part-timers has worsened with increasing polarization among female full-time and part-time workers.

Table 1.2. Trends in female part-timers’ relative pay in Spain and the UK

<table>
<thead>
<tr>
<th>Year</th>
<th>Female full-time/male full-time</th>
<th>Female part-time/male full-time</th>
<th>Female part-time/Female full-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>1987  72%</td>
<td>71%</td>
<td>99%</td>
</tr>
<tr>
<td></td>
<td>1990  73%</td>
<td>73%</td>
<td>101%</td>
</tr>
<tr>
<td></td>
<td>1995  74%</td>
<td>74%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>2000  78%</td>
<td>78%</td>
<td>100%</td>
</tr>
<tr>
<td>Spain</td>
<td>1994  83%</td>
<td>49%</td>
<td>59%</td>
</tr>
<tr>
<td></td>
<td>1995  83%</td>
<td>42%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>1996  82%</td>
<td>36%</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>1997  83%</td>
<td>38%</td>
<td>45%</td>
</tr>
<tr>
<td>UK</td>
<td>1984  73%</td>
<td>57%</td>
<td>78%</td>
</tr>
<tr>
<td></td>
<td>1990  77%</td>
<td>57%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>1995  80%</td>
<td>60%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>2001  82%</td>
<td>59%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Source: Plantenga and Sjoerdsma (2002: Table 1.2); Moltó (2002: Table 1.2.8); Grimshaw et al. (2002).
1.4.2. Young and old workers

Age is an important factor in wage determination, both because it is often a reflection of the level of education and work experience and because it reflects the real practices of awarding seniority payments in wage agreements in collective bargaining and at the level of the organization (Maier 2002: 19). There is substantial variation in the level of gender pay inequality among workers of different ages. In general, the gender pay gap tends to be relatively narrow among young workers and then to progressively widen with age. Figure 1.8 demonstrates this for the different member states drawing on ESES data (with no data for Ireland). If we define young workers as those aged 20 to 29 years old and older workers as aged 45 years and over, then all member states fit the general pattern of a steady widening of the gender pay gap with age.

![Figure 1.8. The Gender Pay Ratio Among Full-Time Employees of Different Ages](image)

While a seemingly universal pattern, there is considerable cross-national difference in the actual size of the change in gender pay inequality with age. In some countries, there is a relatively minor widening of the gender pay gap with age - for example, in Denmark, the former east and west Germany, Spain, Finland and Sweden, the gender pay gap widens by between 10 and 14 percentage points – while in others the change is substantial - in Greece, France, and Luxembourg, the gap widens by between 28 and 33 points. This means that a comparative assessment of the ranking of member states according to gender pay equality also needs to be sensitive to how they compare for workers of different age groups. Among young workers (20-29), France and Luxembourg have the highest gender pay ratios (compared to a ranking of numbers 9 and 4, respectively, according to the average gender pay ratio). Among older workers, Austria, Greece and France (along with the UK) drop to the bottom of the ranking from a mid-ranking position according to the average gender pay gap. The national report for Germany shows that there is a difference between the former east and west Germany with a steady widening of the gender pay gap with age in the former west Germany (from a ratio of 91%-95% among the 20-29 years age group to 66%-72%
among those aged 50 and over) and much less difference in the former East Germany (with a ratio of 89%-99% among all age groups except those aged over 60) (Maier 2002: Figure 2.10).

Country differences in the impact of age on the size of the widening of the gender pay gap are in some ways mirrored by strong differences in the impact of age on relative earnings among male and female workers. Typically, there is a positive association between relative pay and age, reflecting increased acquisition of skills, work experience, training and vertical advancement through the employing organisation. However, this may be expected to vary for men and women, especially where there is discrimination in access to training, promotion decisions, or opportunities for job advancement. Figure 1.9 plots the relative pay of male and female full-time workers, in the different age groups, relative to the average earnings of all male full-time workers.

**Figure 1.9. (a) Pay of Female Full-Time Workers, by Age, Relative to Average Pay of All Male Full-Timers**

![Diagram showing relative pay of female full-time workers by age](image1.png)

*Note: average gross monthly earnings of female full-time employees in each specific age bracket as a ratio of average monthly pay of all male full-time employees (by age bracket), no data for Ireland*

*Source: European Structure of Earnings Survey 1995*

**Figure 1.9. (b) Pay of Male Full-Time Workers, by Age, Relative to Average Pay of All Male Full-Timers**

![Diagram showing relative pay of male full-time workers by age](image2.png)

*Note: average gross monthly earnings of male full-time employees in each specific age bracket as a ratio of average monthly pay of all male full-time employees (by age bracket), no data for Ireland*

*Source: European Structure of Earnings Survey 1995*
The differences in cross-national patterns can be separated out along two dimensions: the relative steepness of the age-earnings profile, or payoff; and the shape of the profile (steady gains with age or some form of inverted U-shape). These dimensions may be similar or different for male and female workers within each country (see Table 1.3). In five countries there is a strong rise in relative earnings associated with age for all workers; in all except Spain, these improvements in relative pay occur steadily from one age group to the next. For example, in France - the country with the strongest rise in relative pay between young and old workers, for both men and women – relative pay among female workers compared to all male full-time workers increases from 60% among young workers (aged 20-24) to 99% among old workers (55+) and among male workers it increases from 61% to 149%. What is important to note in the case of France, is that while there is virtual gender pay equality among young workers yet relatively high gender pay inequality among older workers – since the age-earnings payoff is much higher among men – compared to other member states, female workers experience a strong increase in pay with age and, along with Belgium, come very close to achieving parity with average male full-time pay by the time they reach their late 50s and 60s.

Table 1.3. Typology of age-earnings profiles by gender

<table>
<thead>
<tr>
<th>Relative size of age-earnings payoff</th>
<th>High for all workers</th>
<th>Low for all workers</th>
<th>High for men, low for women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising relative pay for all workers with age</td>
<td>Belgium</td>
<td>France</td>
<td>Luxembourg</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>Netherlands</td>
<td></td>
</tr>
<tr>
<td>Rising and then slight fall in relative pay for all workers</td>
<td>Spain</td>
<td>Denmark</td>
<td>Greece</td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>Sweden</td>
<td>Portugal</td>
</tr>
<tr>
<td>Rising pay for men, rising and then slight fall for women</td>
<td>--</td>
<td>Germany</td>
<td>Austria</td>
</tr>
<tr>
<td>Rising and then slight fall for men, rising and large fall for women</td>
<td>--</td>
<td>UK</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Figure 1.9.

In contrast, some countries exhibit a relatively flat age-earnings profile (comparing the relative pay of younger age groups with that of the older groups) for both male and female workers. In the three Scandinavian countries the earnings curve follows an inverted U-shaped profile for all workers, rising to peak in mid age and then falling for workers aged 55 and above. A third group of countries stand out because the relative steepness of the age-earnings payoff varies for men and women (column three of Table 1.3). In Austria, the gender difference in the size of the payoff is exacerbated by a difference in the shape of the profile, with men experiencing steady gains with
age while for women earnings actually decline for older age groups, offsetting some of the increase in earnings experienced by prime age compared to young women workers. However, it is only in the UK where the relative pay among female full-time workers aged 55 and over is so low that it is actually equivalent to those aged 20-24. While several countries exhibit some tail-off in the female age-earnings profile (most notably, Greece, Spain, Austria, Portugal, Finland, Germany and Sweden), only the UK shows a complete reversal of gains experienced among women aged 30-44. Moreover, if part-time workers were also included it is likely that this pattern may even show a lower level of relative pay among older female workers in the UK compared to younger workers.

1.4.3. Education

Figure 1.10 sets out the basic cross-national patterns in the gender pay ratio among workers with three different levels of education – first stage, or lower, of secondary schooling, completed upper secondary education and higher education. These data are based on the ESES that excludes the public sector and may therefore be particularly unrepresentative of the gender pay gap for higher educated workers as a very high share of women with higher education are employed in the public sector.

Across the EU, the general pattern is a slight widening of the gender pay gap between those workers with completed upper secondary education compared to those with a first stage, or lower, of secondary education and a significantly larger pay gap among workers with higher education. This pattern holds for most member states, although there are some exceptions. In Belgium, Greece, France, Austria, Portugal and Finland the gender pay ratio among those with completed secondary education is higher than those with a lower level of education. Also, in Finland the gender pay gap appears to be at its narrowest among the most highly educated group. The problem, however, is that the exclusion of the public sector from the ESES data means that this picture is unreliable since many higher educated women work in the public sector in Finland; as we show below in section 3, according to OECD data Finland does in fact have one of the widest pay gaps at the upper end of the earnings distribution.
The general pattern of a widening of the gender pay gap with increases in education does of course suggest that, in fact, the higher the share of women workers with tertiary education, the higher the share experiencing inequality in pay for a given level of education. Data for 1995 from the ESES show that at the EU level, 15% of women workers have higher education, compared to 18% of male workers, and, since this data exclude the public sector where there is an over-representation of highly educated women, we can assume that there is at least parity among male and female workers in the share with high education. In individual member states, the share of women with high education is at least as high as that for men, even within the private sector: for Belgium, the respective shares are 31% for women and 24% for men; for Spain, the shares are 21% for both men and women; for France, the shares are 31% and 28%; Luxembourg, 12% and 11%; and for the Netherlands, 20% and 17%, respectively.

To explore the impact of gender differences in educational levels on the gender pay gap we have re-weighted pay levels for the different groups of male and female workers so that the share of female workers with low, medium and high levels of education is equivalent to that of men within each country. Figure 1.11 shows that the impact on the gender pay ratio varies. In 6 countries the gender pay ratio declines and the gap widens while in 8 the gender pay ratio improves and the gap closes. In Belgium, there is a relatively strong decline in the ratio caused by the fact that equalizing educational rates between men and women means increasing the share of low educated women and reducing the share of highly educated women. Conversely, in Finland and the UK the gender pay ratio rises strongly as there are significantly higher shares of women workers with low education, compared to men, and lower shares of women workers with high education, compared to men (at least in the private sector which is what these data refer to).

![Fig 1.11. Impact on the Gender Pay Ratio of Equalising Educational Composition Among Men and Women](image)

Note: In order to equalise the educational composition among men and women, female average monthly earnings are calculated as a weighted mean of female average monthly earnings by level of education using the educational composition of the male universe as the weight factor; no data for Ireland;
Source: European Structure of Earnings Survey 1995

Clearly, women have made great gains in acquiring higher levels of education, although, as we have already hinted, typically do not enjoy similar payoffs as their male counterparts. This issue is further explored by comparing the relative level of pay for each group compared to the average for the whole private sector. Figure 1.12 sets out the relative pay of female and male workers with each level of education,
compared to the average for all male full-time workers in the private sector. As expected, this shows that for male and female workers in all member states (Ireland excluded), relative pay increases with higher levels of education.

Education-earnings profiles differ both according to the size of the premium for education and the degree to which there is gender equity in the premium. Table 1.4 separates out countries along two dimensions which capture elements of pay equity: the relative size of the pay-off to education (defined as the percentage increase in relative pay between workers with low and high education), and whether these are similar or different for men and women; and a measure of whether even women with high levels of education are able to achieve earnings that exceed average pay for men. Overall in eight countries educated women tend to earn more than male average pay, and, of these, seven provide relatively similar returns for both men and women. Only Italy has a strong gender imbalance in returns. In Luxembourg, Austria and Portugal, returns to education are very high and, in all cases, highly educated women earn more than average male full-time pay. Portugal is the extreme case with a jump in relative pay between the least and the highest educated from 61% to 179% for women and from 86% to 246% for men. In Germany and the Scandinavian countries, returns to education are relatively low and yet highly educated women still achieve earnings above the male average for the economy.

Of the five countries where even highly educated women earn less than the male average, in two, Greece and the UK, the returns are low for both male and female workers. In all member states the rise in relative pay with education is higher (in terms of percentage points) among men than among women, but in the Netherlands, Spain and France the difference is particularly acute. For example in the Netherlands the difference in relative pay of high educated women workers compared to low educated is around 27 percentage points, compared to a difference of 61 points for men. Women in these countries experience the double penalty of high inequity in returns and below male average pay for women workers with high education.
Figure 1.12. Relative Pay of Male and Female Workers, by Level of Education Compared to All Male Full-Time Workers

Legend: e1 - first stage of secondary or lower; e2 - upper secondary; e3 - Higher Education
Note: average gross monthly earnings of female or male full-time employees in each specific educational bracket as a ratio of average monthly pay of all male full-time employees, no data for Ireland
Source: European Structure of Earnings Survey 1995
Table 1.4 Typology of education-earnings profiles by gender

<table>
<thead>
<tr>
<th>Relative size of education-earnings pay-off</th>
<th>High for all workers</th>
<th>Low for all workers</th>
<th>High for men, low for women</th>
<th>Low for men, very low for women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly educated women earn more than average male full-time pay</td>
<td>Luxembourg</td>
<td>Denmark</td>
<td>Italy</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Austria</td>
<td>Germany</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Portugal</td>
<td>Finland</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sweden</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highly educated women earn less than average male full-time pay</td>
<td>--</td>
<td>Greece</td>
<td>France</td>
<td>Belgium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UK</td>
<td>Netherlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spain</td>
<td></td>
</tr>
</tbody>
</table>

Source: Figure 1.12.

1.4.4. Public and private sector employment

The overrepresentation of women in the public sector means that pay differences between public and private sectors play a significant role in shaping the overall level of gender pay inequality within a country. For example, the over-representation of women in the public sector improves gender pay equality where there is a high wage premium associated with public sector employment.

The overall size of the public sector varies across European member states, with the Scandinavian countries registering the highest levels of public sector employment. However, across all member states, except the Netherlands, there is greater gender pay equality within the public sector than in the private sector (Figure 1.13). The difference exceeds ten percentage points in 8 countries, and in Italy women’s average pay in the public sector exceeds men’s (although there may be reasons, as suggested above, to doubt the reliability of the Italian data).

Fig 1.13. Gender Pay Ratio in the Public and Private Sector, 1998

Note: Ratio of women’s average gross hourly earnings with respect to men’s average gross hourly earnings, based on earnings data for all individuals employed 15 hours or more at the time of the survey in 1998; no data available in 1998 for Luxembourg, Finland and Sweden; data for Portugal (public sector) is unreliable.

Relatively high gender pay equity within the public sector is, of course, less meaningful if public sector pay is low compared to the level of private sector pay. Here, there are mixed results depending on whether the comparator is other women workers in the private sector or the overall average pay for the entire economy. Table 1.5 shows that for all member states except Denmark (where there is little difference) women in the public sector earn significantly more than women in the private sector. The differential, or premium, is greater than 50 per cent in Spain, Greece, Ireland and Luxembourg. However, when compared to the average pay for all workers in the economy, 6 member states register a premium for female workers in the public sector and 6 register a penalty. The premium is particularly high in Spain and Ireland and the penalty is high in Germany and Finland.

Table 1.5. Wage premiums and penalties for women working in the public sector

<table>
<thead>
<tr>
<th></th>
<th>Female employees in the private sector</th>
<th>All employees in the economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>111.1%</td>
<td>91.2%</td>
</tr>
<tr>
<td>Denmark</td>
<td>100.8%</td>
<td>87.4%</td>
</tr>
<tr>
<td>Germany</td>
<td>120.6%</td>
<td>80.7%</td>
</tr>
<tr>
<td>Greece</td>
<td>159.9%</td>
<td>108.4%</td>
</tr>
<tr>
<td>Spain</td>
<td>159.0%</td>
<td>118.7%</td>
</tr>
<tr>
<td>France</td>
<td>136.8%</td>
<td>101.9%</td>
</tr>
<tr>
<td>Italy</td>
<td>141.8%</td>
<td>109.2%</td>
</tr>
<tr>
<td>Ireland</td>
<td>162.3%</td>
<td>111.8%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>155.5%</td>
<td>109.6%</td>
</tr>
<tr>
<td>Austria</td>
<td>120.3%</td>
<td>91.3%</td>
</tr>
<tr>
<td>Finland</td>
<td>103.5%</td>
<td>82.7%</td>
</tr>
<tr>
<td>UK</td>
<td>121.8%</td>
<td>88.9%</td>
</tr>
</tbody>
</table>

Note: Average Net Hourly Earnings for paid employees at work 15+
Source: European Community Household Panel, Wave 3 1995 (cited in Barry et al. 2001)

Data from national sources for three countries shed further light on these divisions. In Denmark, data from the Central Bureau of Statistics confirm that the gender pay gap is wider in the private sector than in both local government and central government. However, between 1996 and 2000, there has been some convergence due to a widening of the pay gap among local government employees, from around 12 to 16 percentage points, compared to steady gaps of 20 points in the private sector and 10 in central government over the period (Emerek 2002: Figure 1b). In terms of the dispersion of pay within these three sectors, female employees in the upper quartile enjoy the highest relative pay in central government and approximately similar levels in local government and the private sector. However, female employees in the lower quartile enjoy the highest pay in central government, followed by local government and then the private sector. Moreover, the level of dispersion between high paid men and low paid women is substantially higher in the private sector than in the two areas of public sector (op. cit.: Figure 2).

National data for Ireland (based on the Living in Ireland Surveys, reported in Russell and Gannon 2002) show a trend towards an improvement in the gender pay ratio within both public and private sectors – from 77% to 78% in the private sector and from 94% to 95% in the public sector (cited in Barry 2002: Table 9). And, reflecting the finding shown in Table 1.6, women, on average, earn substantially more in the public sector than in the private sector (a premium of 69%). Importantly, however, the
same pattern is true for men, who enjoy an average wage premium of 33% working in the public sector compared to the private sector (op. cit.).

Finally, in Sweden, national data (from Statistics Sweden) reveal a relatively complex pattern of change in the gender pay ratio in the two sectors. (Gonas 2001). In the private sector, gender pay equality steadily increased among white-collar full-time workers between the late 1970s and 2000, from a gender pay ratio of around 70% to close to 80%. A similar improvement is found among full-timers in the municipal sector, with a rise in the pay ratio from around 82% to 90% over the same period. However, changes in the central government sector and the county council sector are more uneven, with a rise during the late 1970s and early 1980s, followed by stagnation and decline during the late 1980s and 1990s, particularly in central government where the ratio falls from a high level above 90% in 1984-1985 to around 83% by 2000 (op. cit.).

1.5 Summary

This analysis of statistics on average pay levels and earnings distribution has revealed the persistence of the gender pay gap and the absence of any tendency for the pay gap to disappear. Pay inequality remains an issue to be explained even for educated workers. While the data reveal the similar position of women across EU countries in facing systematic discrimination, we have also identified evidence which suggests that the form of this pay discrimination varies between countries and has different outcomes. We have found that we need to pay attention to what is happening to men as well as women, to part-timers as well as full-timers, to low paid workers relative to average or high paid earners, to young workers versus prime age and older workers, to educated versus less educated workers and to public sector versus private sector workers. Not only does each of these dimensions have implications for the intensity and nature of gender pay inequality and discrimination, but the size and form of this effect appears to differ between countries. For example, while in some countries the problem of gender inequality rises steeply with age, in others the difference is less extreme. Pay systems and practices and gender discrimination therefore appear to differ between member states. With this diversity in both personal characteristics, on the one hand, and in the structures of wage systems and wage structures, on the other, it is not surprising that there has been a move to try to control for these different factors to understand and compare the gender pay gap between countries. It is to these studies that we now turn.
2. The adjusted gender pay gap

The preference in traditional or mainstream analysis for adjusting the gender pay gap is based on the observation that the unadjusted pay gap does not compare like with like. Male and female workers differ with respect to many characteristics, including the length of work experience, the level of education and skills, occupational status and sector of employment. Each of these characteristics has some association with the level of earnings. It has therefore been assumed appropriate to decompose the gender pay gap to distinguish what proportion of the overall pay gap is due to differences in individual characteristics and what proportion is due to sex discrimination within the labour market. The latter is called the adjusted gender pay gap. Overall, it is claimed that the benefits of this approach are threefold: it offers clarity, by identifying the pay differential between male and female workers after controlling for differences in individual characteristics; it identifies what fraction of the gap is due to differences in productivity and what fraction is due to labour market discrimination (subject to data imperfections); and it isolates the factors underpinning labour market discrimination and thereby facilitates a clear policy focus.

While apparently straightforward, the approach relies on two questionable assumptions. We outline these here, but explore them further below once we have reviewed the standard econometric techniques and presented a selection of results from empirical studies. The first assumption is that individual characteristics of work experience, skill, occupation and so on, are the result of free choices made by individual men and women (at least according to the framework of standard economics, an issue we return to below). For example, gender differences in length of participation in the labour market reflect the greater household responsibilities of women – a condition that is assumed to lie outside the scope of labour market policy. Equally, women may be expected to invest less in education because of intended discontinuities in labour market participation – again, not an issue considered to be associated with management policies and practices or other social dimensions of the functioning of labour markets. The second assumption is that these individual characteristics can be taken as approximate measures of productivity and that productivity equates with pay. Different levels of education, for example, are assumed to correlate with differences in productivity, and therefore with the level of pay. Here, the problem is the narrow attention of the mainstream approach to the allocative dimension of the labour market, and the difficulty of incorporating the impact of the management and social dimensions of the labour market in a purely quantitative assessment of the forces shaping the gender pay gap. Further problems emerge, as we outline below, when the technique is used to compare gender pay gaps across countries as the influence on wages of the characteristics controlled for vary not only between men and women but also among countries.

2.1. A ‘beginner’s guide’ to the two main methods of decomposition of the gender pay gap

Virtually all empirical studies of wage discrimination between men and women use a formal statistical technique first devised by Oaxaca (1973), building on Becker’s (1957) well-known theory of labour market discrimination (see, also, Blinder 1973). In this approach, discrimination is defined as the difference between the observed gender pay ratio and the gender pay ratio that would prevail if men and women were paid according to the same criteria. The observed gender pay ratio is known from the available data. The problem is how to estimate a pay ratio assuming an absence of discrimination. Becker was interested in discrimination insofar as he wanted to
explain why an individual’s wage did not equate with their marginal productivity. The conventional concept of discrimination is thus very much concerned with the extent to which an employer takes into account ‘non-productive characteristics’ (such as gender) of an employee in determining his or her wage. The decomposition approach of Oaxaca develops this concept of discrimination, but does so within a human capital model that assumes an individual employee has a certain number of ‘productive’ characteristics (such as level of education, years of work experience and so on) that can be used as approximations of his or her marginal productivity. These approximations are used as marginal productivity is difficult, if not impossible, to measure. At the heart of the approach, therefore, is an assumption that certain individual characteristics can be identified as associated with a person’s productive capability and that this, in turn, is associated with the wage earned.

In seeking to explain part of the gender pay gap, this approach attempts to control for differences in characteristics between men and women. For example, if we imagine that pay data only identify one characteristic – length of work experience – then the observed gender pay gap is likely to be a reflection of the following factors: differences in length of work experience between men and women; differences in reward for each year of experience to men and women; and an ‘unexplained’ or ‘residual’ difference in pay. If men and women are rewarded identically for each year of experience, then the gender pay gap is decomposed into two components; a first ‘explained’ component is due to differences in the average length of work experience between men and women and a second ‘unexplained’ or ‘residual’ component is due to unobservable characteristics (or, more technically, a difference in the intercepts). However, in the more real world case men and women not only have different characteristics but are also rewarded differentially for this characteristic. In this case the residual component is due to both unobservable differences and the difference in reward for each year of experience, while the explained component of the gender pay gap is again due to differences in the level of work experience.

More formally (following Mincer’s 1974 human capital reduced-form equation), it is usual to specify a wage equation that relates the logarithm of earnings as a function of individual characteristics:

\[
\ln w_i = b_0 + b_1 ED + b_2 EXP + b_3 EXP^2 + b_4 Z
\]

where, ED is education, EXP is post-school work experience and Z represents other productivity-related variables; \(b_i\) represent the returns on these characteristics

Or, more generally, this can be written as two separate wage equations, one for women and one for men, where \(X\) is a vector of personal characteristics:

\[
\ln w_f = a_f + Sb_f X_f \\
\ln w_m = a_m + Sb_m X_m
\]

Oaxaca (1973) decomposed the logarithmic gender wage gap into quantifiable productivity and discrimination components. Since the world of no discrimination could be assumed to be one where the wage structure faced by males also applies to females, or where the wage structure faced by females also applies to males, two estimations are derived:
\[ \ln w_m - \ln w_f = Sb_m(X_m - X_f) + [(a_m - a_f) + SX_f(b_m - b_f)] \]

\[ \ln w_m - \ln w_f = Sb_f(X_m - X_f) + [(a_m - a_f) + SX_m(b_m - b_f)] \]

In each equation the first term on the right hand side is the explained component, that is, the difference in male and female characteristics evaluated using either the reward to male characteristics or the reward to female characteristics. The second term is the unexplained component (interpreted as ‘wage discrimination’) and includes a difference due to unobservable factors that influence productivity and a difference due to differential reward for equal characteristics. In Oaxaca’s (1973) original application of this technique, separate estimates are obtained using both the male and the female weighting procedure to establish a range of possible values. The two weighting procedures only give identical results if men and women receive the same reward for equal characteristics. Alternatively, Neumark (1988) suggests using a neutral weighting procedure that involves deriving a weighting coefficient from a pooled regression of males and females (see, also, Oaxaca and Ransom 1994). For studies that adopt this general approach the estimate for ‘wage discrimination’ is typically interpreted as the extent to which the labour market rewards equal characteristics between men and women with a different value. We provide illustrations of this below.

The statistical procedures have advanced since the early 1970s studies. In particular, early applications of the Oaxaca approach are said to suffer from problems of sample selection bias (Heckman 1979; see, also, Bloom and Killingsworth 1982). In many countries, labour market opportunities combined with welfare state policies may mean that women with lower levels of human capital are more likely to opt out of labour market participation. If this is the case, then women who participate may not be representative of the female population. Since, it is argued, it is the wages that the market potentially offers to the whole population of men and women that is of interest and not only the wage paid to those who are in employment, then regression estimation on the subsample of participants produces biased estimates. The so-called Heckman correction involves modelling the probability of employment among men and women using a range of variables, such as household demographics and non wage sources of household income, and including this as an additional regressor in the wage equation. The idea is that this adds information on unobserved characteristics related to participation behaviour and thus corrects the problem of estimation bias (Zabalza and Tzannatos 1985). For comparative purposes, these adjustments in part also take into account differences between countries in the integration of women into the economy.

A more fundamental development of the methodology, that moves the focus beyond the comparison of individual productivity differences, is associated with the development of the Juhn-Murphy-Pierce (1991) decomposition. Interest in this approach stems from the claim that gender inequity in pay is due, in part, to cross-national differences in the overall shape of the wage structure. This approach provides the main alternative technique to the Oaxaca-Blinder (1973) decomposition. Development of this statistical approach to decomposing the gender pay gap has been pioneered by Blau and Kahn (1992, 1997), although it is clear that the conceptual work of institutionalist economists has had a major influence in highlighting the

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4 See Gupta, Oaxaca and Smith (1998) for a positive test of the equivalence of these two decomposition techniques.

5 Other studies test the similarity between this method and the traditional Oaxaca-Blinder approach, once a pooled wage regression (rather than male wage equation) is utilised (Gupta et al. 2001).
importance of cross-national differences in country wage structures for an understanding of the gender pay gap (Bettio 1988, Høgsnes 1994, Rowthorn 1992, Rubery 1991, Rubery and Fagan 1994, Whitehouse 1992, Grimshaw and Rubery 1997). We use the term wage structure to refer to the overall shape of the wage distribution, the degree of dispersion between the low paid and the high paid, as well as the concentration of workers at different points of the wage distribution.

Unlike the Oaxaca method, this approach minimizes the problem of sample selection bias by avoiding the need to make separate estimations of wage equations for female workers (Juhn et al. 1991, 1993). Moreover, in the application to cross-national comparisons of the gender pay gap developed by Blau and Kahn (1992, 1997) (see, also, Gupta et al. 2001), this method allows for changes in the overall wage distribution to affect the gender pay gap. As such, the Juhn-Murphy-Pierce approach has the advantage of enabling identification of four sources of contributing factors to the overall gender pay gap: gender differences in productivity characteristics; gender differences in the prices of observed productivity characteristics; cross-national differences in relative wage positions of men and women; and gender differences in the prices of unobservable productivity characteristics. More formally (following Blau and Kahn 1992), a male wage equation can be expressed as follows for a male worker i and country j:

\[ Y_{ij} = X_{ij}B_j + s_j?_{ij} \]

Where \( Y_{ij} \) is the log of wages, \( X_{ij} \) is a vector of explanatory variables, \( B_j \) is a vector of coefficients, \( s_j \) is the residual standard deviation of wages for country j and \( ?_{ij} \) is a standardized residual.

The logarithm of the pay gap for country j is:

\[ D_j = Y_{mj} - Y_{fj} = dX_jB_j + s_jd?_j \]

Where the d prefix refers to the average male-female difference for the variable immediately following; the final term of this expression corresponds to the ‘unexplained’ component found in Oaxaca-type decompositions.

The next step sets out the innovative step in this approach, that is, to provide a decomposition of the pay gap between any two countries, j and k:

\[ D_j - D_k = (dX_j - dX_k)B_k + dX_j(B_j - B_k) + (d?_j - d?_k)s_k + d?_j(s_j - s_k) \]

Where the first term estimates the contribution of intercountry differences in observed characteristics to the gender pay gap, the second term estimates the impact of intercountry differences in returns to observed characteristics, the third term measures the effect of intercountry differences in the relative wage positions of men and women and the fourth term reflects intercountry differences in residual inequality.

Overall, gender-specific factors are reflected in the first and third terms, whereas the effect of a country’s labour market structure is picked up in the second and fourth factors. It is the third and fourth terms which represent the innovation in this approach. The third term identifies the position of women’s average wage in comparison to the male wage distribution: for example in one country it may be at the 40\(^{th}\) percentile of the male wage distribution, but in a second country it may be only at the 20\(^{th}\) percentile. This variable picks up gender differences in unobservable
characteristics, as well as country differences in labour market discrimination against women. This third term combines with differences in observed characteristics to identify gender-specific influences on the pay gap. The fourth term picks up intercountry differences in the overall residual inequality in wages ($s_j - s_k$). After controlling for observed characteristics, it is likely that women’s average pay is less than the male pay in a particular country. The larger the difference in residual wage inequality in country $j$ compared to country $k$, the larger the difference in the adjusted gender pay gap between the two countries. This term therefore controls for intercountry differences in wage inequality for ‘unobserved prices’ (that is, sex discrimination and unobserved characteristics). This combines with the second term, intercountry variations in returns to characteristics, to provide an estimate of the overall impact of wage structures on the gender pay gap. The importance of this new decomposition is that it recognizes that women may face pay inequality not just because they are placed low within a given wage structure but because the penalty of being at a low point in the wage structure varies between countries.

2.2. Empirical estimates of explained and unexplained parts of the pay gap

There has been a proliferation of studies that use either the Oaxaca-Blinder, or Juhn-Murphy-Pierce approach to decomposing the gender pay gap. These are not limited to studies of the US and European countries. A review of the main academic journals for developing countries demonstrates a similar fascination (see, for example, Appleton et al. 1999; Horton 1996; Psacharopoulos and Tzannatos 1992; Seguino 1997). Indeed, a recent report from the World Bank provides a summary of results from studies carried out for 19 developed countries and 41 developing countries (World Bank 2002: appendix 3). Given the sheer volume of work carried out, it is perhaps no surprise that the results are filtering through to the world of policy-making. This section sets out some of the main results of national and comparative studies of the adjusted gender pay gap in EU countries.

2.2.1. National studies of the adjusted pay gap

Across all 15 member states, national studies have been carried out which apply a decomposition approach to adjusting the gender pay gap. These applications tend to use the Oaxaca-Blinder technique, rather than the Juhn-Murphy-Pierce method, reflecting the more recent development of the latter approach. Also, the studies tend to draw on national data, although there are examples of studies that use European data-sets in countries such as Belgium, Greece and Italy. Table 2.1 sets out the basic results of a selection of studies across member states (see Appendix Table 3 for additional details of the data-set used and the control variables applied).

Table 2.1. Estimates of the adjusted gender pay gap from selected national studies

<table>
<thead>
<tr>
<th>Country</th>
<th>Author(s) of study</th>
<th>Year</th>
<th>% of pay gap explained</th>
<th>% of pay gap unexplained</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Jepsen (2001)</td>
<td>1994-95</td>
<td>13%</td>
<td>87%</td>
<td>Full-timers</td>
</tr>
<tr>
<td></td>
<td>Ministry of Employment &amp;</td>
<td>1995</td>
<td>76%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>Pedersen and Deding (2000)</td>
<td></td>
<td>25%</td>
<td>75%</td>
<td>Private sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>84%</td>
<td>16%</td>
<td>Central government</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>95%</td>
<td>5%</td>
<td>Local government</td>
</tr>
<tr>
<td>Greece</td>
<td>Psacharopoulos (1983)</td>
<td>1977</td>
<td>11%</td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>Author(s)</td>
<td>Year(s)</td>
<td>Wheelchair Ownership</td>
<td></td>
<td>Mobility</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------</td>
<td>----------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Kanellopoulos &amp; Mavromaras</td>
<td>2000</td>
<td>28%</td>
<td>72%</td>
<td>Industry</td>
<td></td>
</tr>
<tr>
<td>Karamessini &amp; Ioakimoglou</td>
<td>2002</td>
<td>73%</td>
<td>27%</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Meurs &amp; Ponthieux</td>
<td>1997</td>
<td>44%</td>
<td>56%</td>
<td>Married employees only</td>
<td></td>
</tr>
<tr>
<td>Meurs &amp; Ponthieux</td>
<td>1999</td>
<td>47%</td>
<td>53%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lemiere et al.</td>
<td>1992</td>
<td>25%</td>
<td>75%</td>
<td>Banking sector</td>
<td></td>
</tr>
<tr>
<td>Barrett et al.</td>
<td>1987</td>
<td>50%</td>
<td>50%</td>
<td>Research services</td>
<td></td>
</tr>
<tr>
<td>ITER</td>
<td>1993</td>
<td>24%</td>
<td>76%</td>
<td>Plastics processing</td>
<td></td>
</tr>
<tr>
<td>Lejealle</td>
<td>1995</td>
<td>28%</td>
<td>72%</td>
<td>All workers</td>
<td></td>
</tr>
<tr>
<td>Barrett et al.</td>
<td>1994</td>
<td>62%</td>
<td>38%</td>
<td>Full-timers</td>
<td></td>
</tr>
<tr>
<td>Lejealle</td>
<td>1995</td>
<td>20%</td>
<td>80%</td>
<td>(not controlling for hours)</td>
<td></td>
</tr>
<tr>
<td>Lejealle</td>
<td>1996</td>
<td>28%</td>
<td>72%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Martens (1998)</td>
<td>1997</td>
<td>54%</td>
<td>46%</td>
<td>Private sector</td>
<td></td>
</tr>
<tr>
<td>Kiker &amp; Santos (1991)</td>
<td>1985</td>
<td>34%</td>
<td>66%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ribeiro &amp; Hill (1996)</td>
<td>1992</td>
<td>24%</td>
<td>76%</td>
<td>Human capital model</td>
<td></td>
</tr>
<tr>
<td>Lilja (2000)</td>
<td>1980</td>
<td>43%</td>
<td>57%</td>
<td>Comparable value model</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>54%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1980</td>
<td>45%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>45%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>45%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>45%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>45%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statistics Sweden (2002)</td>
<td>1998</td>
<td>53%</td>
<td>47%</td>
<td>All sectors</td>
<td></td>
</tr>
<tr>
<td>Andersen et al.</td>
<td>2001</td>
<td>50%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bell &amp; Ritchie</td>
<td>1979</td>
<td>27%</td>
<td>73%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harkness (1996)</td>
<td>1992-93</td>
<td>10%</td>
<td>90%</td>
<td>Full-timers</td>
<td></td>
</tr>
<tr>
<td>Joshi &amp; Paci</td>
<td>1991</td>
<td>38%</td>
<td>62%</td>
<td>Full-timers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>58%</td>
<td>42%</td>
<td>FPT/MFT</td>
<td></td>
</tr>
<tr>
<td>Source: Appendix Table 3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
There are four basic points to draw out from these results. The first is that all the studies reviewed, except one, find that adjusting for gender differences in characteristics leads to a narrowing of the gender pay gap. The exception is the Spanish study – De la Rica and Ugidos (1995) – which finds that adjusting for gender differences in a range of characteristics provided in the Social Survey on Social Biography actually widens the pay gap (the gender pay ratio decreases by two percentage points from 83% to 81%).

The second point is that there is wide variation across countries in the proportion of the gender pay gap explained by gender differences in characteristics (such as education, experience and so on). The French study by Meurs and Ponthieux (2000) explains a massive 85% of the average pay gap, although the sample is restricted to workers aged less than 45 years old and almost half of the explained gap is due to gender differences in hours worked; the traditional human capital type variable explain around 44% of the gap for full-time workers and for all workers. For most studies, of course, variations in working hours are taken out of the estimations and the focus is on differences in hourly wage rates. However, if choice of working hours is not a free choice, shaped instead by domestic responsibilities on the one hand and employment discrimination on the other, then an argument can be made for looking at the gross weekly, monthly or annual wage, particularly if the problem of the gender pay gap can be considered women’s more limited access to economic resources. In the Netherlands the SZW (2002) study also explains 78% of the gap in the private sector and 80% in the public sector, drawing on 2000 data but at the other extreme, several national studies find that less than one fifth of the average gender pay gap is due to differences in characteristics. These include the Boeheim et al. (2002) study for Austria, which explains just 18% of the gap in 1997, the Jepsen (2001) study of full-timers for Belgium, which explains only 13% of the pay gap, the Psacharopoulos (1983) study for Greece which explains 11% of the gap, the ITER (2001) study for Italy (drawing on the ECHP) which explains 20% using the 1995 data and the Harkness (1996) study of full-timers for the UK, which explains just 10% of the pay gap.

### Box 2.1. Summary of Spanish studies of estimates of the adjusted gender pay gap

<table>
<thead>
<tr>
<th>Author of study</th>
<th>Data-set</th>
<th>Method/ control variables</th>
<th>Unadjusted pay gap</th>
<th>% unexplained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caillavet (1990)</td>
<td>Survey on Living and Working Conditions</td>
<td>Earnings equations for married women and men, controlling for human capital and other variables</td>
<td>0.40</td>
<td>58%</td>
</tr>
<tr>
<td>De la Rica &amp; Ugidos (1995)</td>
<td>Survey on Social Biography and Class Structure (1992)</td>
<td>Earnings equations by gender, controlling for sample selection bias with participation equations for women</td>
<td>0.17</td>
<td>114%</td>
</tr>
<tr>
<td>Garcia et al (2002)</td>
<td>Structure of Earnings Survey (1995)</td>
<td>Quantile regression equations by gender, controlling for experience, industry and education</td>
<td>0.30</td>
<td>74%</td>
</tr>
</tbody>
</table>
The third point is that there is wide variation in results among studies for a particular country. A summary of Spanish studies, for example, shows that the explained portion of the pay gap has been estimated at anything from –14% to 95% (Box 2.1).

And fourthly, there are significant differences in results over time. Of particular interest is the fact that a number of studies find that the explained portion of the pay gap has decreased. For example, Boeheim et al. (2002) find that the explained portion of the pay gap for Austria decreased from 21% to 18% between 1983 and 1997, Lilja (1999) shows a reduction from 86% to 82% between 1990 and 1997 for the Finnish banking sector, the ITER (2001) study finds a decrease from 24% to 20% for Italy between 1993 and 1995 and Bell and Ritchie show a drop from 27% to 18% between 1979 and 1994 for the UK. In some cases, the reduced explanatory power of the control variables has occurred alongside a narrowing of the unadjusted pay gap (Italy and the UK), and in others alongside a widening of the pay gap (Finland) (see Appendix Table 3). Other studies find that the selected control variables demonstrate increased explanatory power over time: for example, the Dutch study by Spijkerman (2000) finds the explained portion of the pay gap among private sector workers to have increased between 1993 and 1998 (from 65% to 70%), while the unadjusted pay gap also narrowed (from 0.26 to 0.23). And the Irish study by Barret et al. (2000) finds that despite a massive reduction in the adjusted gender pay gap (caused by the increased explanatory power of gender differences in personal characteristics, from around 50% to 74% between 1987 and 1997), there has been limited improvement in the unadjusted pay gap due to changes in wage structure (an issue we return to below):
Why, if the ‘discrimination index’ was falling by about ten percentage points, did the observed gender gap not fall by the same amount? In part, this reflects changes in labour market structure over the period, with a substantial increase in overall wage inequality. As women have tended to be over-represented among the low paid, the shift in the wage structure towards greater vertical inequality has worked to women’s disadvantage. Despite this, women’s wages have progressed relative to men’s but this gain has been achieved while women were ‘swimming against the tide’ in terms of the increase in overall wage inequality (Barrett et al. 2000, cited in Barry 2002).

There are a few examples of national studies that apply the Juhn-Murphy-Pierce method for adjusting the gender pay gap. Two studies, for Denmark and Sweden, show that despite narrowing of gender differences in characteristics, these trends were offset by rising prices for skills, or jobs, which favour men. For Denmark, Gupta et al. (1998) apply both techniques to decompose the pay gap. Overall, the study finds that while the unadjusted gap was stable over the period 1983-1994 in both the public and private sectors, this reflects neutralizing changes: women improved their qualifications in both sectors, although in the private sector the equalizing of characteristics among male and female workers is offset by rising skill prices which favour men. For Sweden, the study shows that the positive effect of a narrowing of differences in human capital factors (education and experience) during the 1980s and 1990s was offset by increases in wages for managers and executives – jobs which are dominated by men (SOU 2001; see Box 2.2). In contrast to these studies, a study of graduate cohort data in the UK by Dolton et al. (1996) finds that 80 per cent of the narrowing of the pay gap between 1967 and 1977 is explained by reduced differences in human capital and that in fact changes in overall wage structure are not nearly as significant. The problem with the study, however, is that the findings are limited by the data sample, since a focus on the factors which determine wages among graduates does not pick up the broader changes in overall wage structure at the top and bottom ends.

Box 2.2. Narrowing of gender differences in human capital, but widening of wage inequality: the case of Sweden.

‘A government official report on changes in Swedish wage structures shows how the gender pay gap narrowed between 1968 and 1981, only to increase again during the 1980s and 1990s (SOU 2001). . . . The trend during the period 1968-1981 is the same when comparing wages directly as when comparing wages according to level of education and working experience. . . . Accordingly, before 1981 a large part of the gender pay gap could be explained by education level and working experience, but since differences in these factors no longer prevail, explanations of gender pay gaps due to differences in individual qualifications are now less applicable. If only education and working experience were to explain wages, the gender pay gap in Sweden should instead have decreased by 6.5 per cent between 1981 and 2000 (op. cit.). . . . Consequently, questions can be raised regarding the importance of these factors in explaining gender wage differences, and thus therefore also regarding policies towards gender pay equality focusing mainly on education level.

. . . . The study suggests one explanation for the increase in the gender pay gap. . . . namely that the observed increases in wages for managers and executives have a discriminatory effect on women, since women are underrepresented in these positions in Sweden. . . . Increases in the adjusted gender pay gap may therefore to a large extent be explained by general increases in income inequality. That is, since recent increases in income inequality might be explained by higher incomes for executives and managers, the lack of women within these occupations affects the overall gender pay gap negatively. Further research into women’s educational choices and the over-qualification among women is suggested. The study calls for more thorough analysis of why women are being marginalized by the late changes in wage structures.’

Extract from Spånt and Gonäs (2002).
Differences in estimations of the adjusted pay gap across and within countries largely arise as a result of differences in methods and selected control variables in the range of studies. These problems are addressed in those studies that either draw on cross-national data-sets, or apply a common technique to separate national data-sets, and compare results across some, or all, member states. Here, we briefly review the results of six such studies: two which apply the Oaxaca technique - Asplund et al. (1993), Barth et al. (2002) and Employment in Europe (CEC 2002); and three which use the Juhn-Murphy-Pierce technique – Blau and Kahn (1992), Rice (1999) and OECD (2002).

Asplund et al. (1993) apply the Oaxaca decomposition technique to national wage data for four Nordic countries and address issues related to equal pay legislation and the degree of centralization of wage bargaining. This study finds that Finland has a narrower gender pay gap than Denmark, Norway and Sweden largely because men and women share similar characteristics; differences in Finland account for just 10 per cent of the wage gap compared to between 28% and 49% in the other three countries. Part of the reason for this, the authors argue, is that there is a low incidence of part-time work in Finland, female labour force participation has been high for a long time thus reducing the share of new entrants and the level of occupational segregation is relatively low. Sector differences play the most significant role but even this is relatively small due, the authors argue, to the narrow wage differential between public and private sectors (op. cit.: 16-17). In the other three countries, sectoral and occupational differences between men and women are significant explanatory variables. Also of interest is the finding that gender differences in part-time status account for a substantial portion of the explained gap in Sweden, but this finding is actually reversed in Denmark, Finland and Norway, with part-time status responsible for a wage advantage for women over male comparators (op. cit.: Table 7); the authors provide no comment on this particular finding. Overall, they argue that the low incidence of discrimination in Sweden is due to the relatively centralized bargaining structure and that equal pay legislation in Denmark and Norway have been insufficient to eliminate the wage gap.

The study by Barth et al. (2002) is the outcome of a 6-country project on gender pay differences funded by the EC, which includes a decomposition of gender pay gaps, as well as detailed examination of the institutional and legal cross-national differences and a focus on pay differences for three occupational groups (in Austria, Denmark, Greece, Iceland, Norway and the UK). Estimation of the adjusted gender pay gap, controlling for differences in human capital, is undertaken for 15 countries, drawing on ECHP data and national sources for Norway and Iceland. Control variables include education (3 levels), experience (and experience squared) and part-time status interacted with gender. The adjusted gap is reduced compared to the unadjusted gap in all countries. The study notes, however, that the ranking of countries changes considerably. In particular, the ranking of the Netherlands and the UK improves considerably compared to their position in the ranking by unadjusted pay gaps. Estimation of the adjusted pay gap over time (1994-1997) shows that for the EU-average the adjusted pay gap decreased from around 14 percentage points in 1994 to 11 points in 1997. For the six countries studied, only Austria does not demonstrate a decline in the adjusted pay gap over this period.

The 2002 edition of Employment in Europe presents a Oaxaca decomposition of the gender pay gap in 12 member states and at the EU level, drawing on ECHP data
The main finding of this study is that gender differences in personal and job characteristics explain very little of the gender pay gap in most member states. At the EU level, they explain only slightly more than 10% of the unadjusted gender pay gap. At member state level, the portion explained by characteristics varies but in almost all cases is less than half. The exceptions to this pattern are Ireland and Denmark where gender differences in characteristics explain around 11 points out of a total gap of 20 percentage points and 6 out of an 11 point gap, respectively (CEC 2002: 42). In several countries, the unadjusted pay gap is mainly due to differences in returns to characteristics (or ‘discrimination’) – including Germany, Spain, France, Italy, Belgium and Portugal. Reflecting the Spanish study reported above (by De la Rica and Ugidos 1995), the study finds that adjusting for gender differences in personal and job characteristics actually widens the pay gap in the case of Spain. Overall, the report states:

_In most Member States, even if the composition of the male and female workforce were identical, substantial gender pay gaps would therefore subsist_ (CEC 2002: 42).

Three studies undertake cross-national decomposition of gender pay gaps by taking wage structure into account, using the rather more innovative Juhn-Murphy-Pierce method. Blau and Kahn (1992) use the approach to identify the factors that explain cross-national differences in the gender pay gap using the US as the comparator. They draw on the International Social Survey Programme (ISSP) as a source of wage data, supplemented by additional data for four of the ten countries covered. They find that country differences in wage structure are important in explaining international differences in the gender pay gap (op. cit.). Comparison of the impact of gender-specific factors (gender differences in characteristics and the relative position of women in the male wage distribution) show that US women fare well compared to other countries: only Hungary and Sweden had relatively more favourable levels of productivity characteristics and only Australia and Italy displayed more favourable gender treatment effects in the wage structure (op. cit.: Table 7). But the US level of wage inequality (as revealed through the returns to observed characteristics and the wage penalty associated with women’s position in the wage structure) widens the US gender pay gap compared to all the other nine countries. Indeed, this effect accounts for all, or more (since it may be offset by other factors), of the difference in gender pay gaps with six of the nine countries (the exceptions being Italy, Switzerland and the UK) (op. cit.: Table 7). In conclusion, Blau and Kahn argue that an understanding of women’s relative position in the US labour market needs to be reorientated to an understanding of changes in the overall wage structure, rather than solely factors that shape the supply and demand for skills:

_Our research suggests that to understand changes in the gender pay gap fully, it would also be fruitful to examine the impact of changes in wage structure. . . . In the face of rising inequality, women’s relative skills and treatment have to improve merely for the pay gap to remain constant; still larger gains are necessary for it to be reduced_ (op. cit.: 32).

The study by Rice (1999) applies the Juhn-Murphy-Pierce approach to ECHP data for 8 countries, plus additional data for Hungary. Because of the direct relevance of this study, the results of the first and second stage decompositions are show here in Tables 2.2 and 2.3 below. Rice finds that gender differences in measured characteristics (human capital and job characteristics) account for only a small proportion of the observed gender pay gap. Gender differences in human capital characteristics account
for just 2% of the observed gap in Spain and just 4% in France; at their highest they account for 21% in Germany and 25% in the UK. Combined with job characteristics, these figures rise significantly (to 17% in Spain, 39% in France and up to 45% in Denmark), suggesting, as Rice puts it,

... that relative to their human capital, females on average suffer from a ‘poorer’ (ie. lower paying) job distribution in terms of occupation, industry and firm size than their male counterparts. Controlling for levels of human capital, women are less likely than men to be employed in those occupations and industries associated with large positive rents (Rice 1999: 25).

The final three columns in Table 2.2 provide summary statistics on each country’s wage structure, after controlling for measured human capital and job characteristics; in other words, these statistics provide some indication of the extent to which women face unequal treatment in the labour market either because they receive lower returns to observable characteristics compared to men or they are regarded as having lower productivity due to characteristics that are unobservable. The penultimate column shows that in all eight countries, half of all women are ranked, at best, below the 34th percentile of the male wage distribution after controlling for individual characteristics. The measure of wage inequality given by the standard deviation shows that the wage penalty of this unequal treatment is markedly higher in Germany, the UK and Spain than in Denmark.

### Table 2.2. Juhn-Murphy-Pierce decomposition of the gender pay gap using ECHP

<table>
<thead>
<tr>
<th></th>
<th>Differential in log (adjusted) earnings (at sample mean)</th>
<th>Difference in measured characteristics evaluated at male prices (at sample mean)</th>
<th>Standard deviation of male residual wage distribution</th>
<th>Percentile ranking in male residual wage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Differential in log (adjusted) earnings (at sample mean))</td>
<td>(Difference in measured characteristics evaluated at male prices (at sample mean))</td>
<td>(Standard deviation of male residual wage distribution)</td>
<td>(Percentile ranking in male residual wage distribution)</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.1352</td>
<td>0.0612</td>
<td>0.2610</td>
<td>33.38</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(45%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>0.3499</td>
<td>0.0589</td>
<td>0.4915</td>
<td>18.91</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(17%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>0.2183</td>
<td>0.0895</td>
<td>0.3619</td>
<td>33.52</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(41%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>0.2033</td>
<td>0.0355</td>
<td>0.3955</td>
<td>29.67</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(17%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>0.2035</td>
<td>0.0784</td>
<td>0.3740</td>
<td>34.05</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(39%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>0.1692</td>
<td>0.0095</td>
<td>0.3255</td>
<td>23.57</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(6%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>0.1718</td>
<td>0.0468</td>
<td>0.3783</td>
<td>34.08</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(27%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>0.2718</td>
<td>0.0967</td>
<td>0.3967</td>
<td>28.20</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(36%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Rice 1999: Table 6.

Rice (1999) also applies the Juhn-Murphy-Pierce decomposition to an analysis of inter-country differences in the gender pay gap with Denmark chosen as the reference country since it has the narrowest gap among the seven countries selected. The findings show that differences in observed characteristics do not explain much of the difference in the relative size of each country’s gender pay gap compared with Denmark (at most 35% of the difference between France and Denmark is explained by this variable). Nevertheless, the range of explanatory power is striking. In the
southern European economies it is notable that the effect of observed characteristics is negative reflecting the relatively high levels of education of female workers compared to male workers in these countries. The major finding, however, is that for all countries the larger gender pay gap compared to that found in Denmark is primarily explained by the lower relative position of women in the residual wage distribution and the higher wage penalty associated with this position, after controlling for individual characteristics. These two effects have greater explanatory power than the effects associated with observable characteristics (Rice 1999: 29-30). In conclusion, like Blau and Kahn, Rice stresses the need to consider both gender-specific factors and a country’s wage structure in recommending policy action to close the gender pay gap. Moreover, she highlights the differential impact of these two factors at the top-end and the bottom-end of the labour market in different countries:

*Lower paid women in Denmark fare better relative to male workers than their counterparts elsewhere in Europe because they receive more equal treatment as indicated by their higher ranking in the residual wage distribution. However, the picture appears rather different for those in the upper tail of the earnings distribution. Here we find relatively small differences across the economies in the ranking of female workers in the residual wage distribution. Among this group, differences in observable productivity characteristics play a much greater role in determining cross-country differences in the gender earnings. Higher paid women in the southern European economies, Portugal, Italy and Spain, fare considerably better in this respect relative to women in Germany, the UK and even Denmark. This is due in part to relatively high levels of human capital, particularly general education, but of greater significance is the lower level of occupational and industrial segregation of female employment in these countries when compared to the countries of northern Europe (Rice 1999: 32-33).*

Table 2.3. Juhn-Murphy-Pierce decomposition of inter-country differences in the gender pay gap using ECHP (reference country Denmark)

<table>
<thead>
<tr>
<th>Country</th>
<th>Relative gender gap</th>
<th>Attributable to measured characteristics</th>
<th>Attributable to unobserved productivity</th>
<th>Attributable to relative prices of measured characteristics</th>
<th>Attributable to unobserved prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0.2147</td>
<td>0.0556</td>
<td>0.0954</td>
<td>-0.0579</td>
<td>0.1216</td>
</tr>
<tr>
<td>Greece</td>
<td>0.0831</td>
<td>-0.0233</td>
<td>0.0145</td>
<td>0.0516</td>
<td>0.0403</td>
</tr>
<tr>
<td>Spain</td>
<td>0.0681</td>
<td>-0.0085</td>
<td>0.0248</td>
<td>-0.0172</td>
<td>0.0690</td>
</tr>
<tr>
<td>France</td>
<td>0.0683</td>
<td>0.0242</td>
<td>0.0126</td>
<td>-0.0070</td>
<td>0.0384</td>
</tr>
<tr>
<td>Italy</td>
<td>0.0340</td>
<td>-0.0213</td>
<td>0.0707</td>
<td>-0.0304</td>
<td>0.0149</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.0366</td>
<td>-0.0170</td>
<td>0.0074</td>
<td>0.0026</td>
<td>0.0436</td>
</tr>
<tr>
<td>UK</td>
<td>0.1366</td>
<td>0.0176</td>
<td>0.0379</td>
<td>0.0179</td>
<td>0.0631</td>
</tr>
</tbody>
</table>

Source: Rice (1999: Table 7).

The 2002 issue of the OECD Employment Outlook presents a J-M-P decomposition of the gender pay gap for 13 member states (Luxembourg and Sweden excluded), drawing on ECHP data for a mix of years (1996-1998). The gender pay gap for each country is adjusted according to cross-country differences in observed personal and

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Rice carries out further decompositions away from the sample mean to test whether her findings are representative of the sample as a whole. She finds that limiting the sample to workers in the lower quartile of the wage distribution a large part of the explanation lies in the unequal treatment of women measured by their placement in the male wage distribution. Among higher paid workers (the upper quartile) gender differences in observable characteristics carry most weight in explaining the difference with Denmark.
job characteristics, prices for these characteristics and the overall dispersion of wage structure (as well as the residual term), with the benchmark country represented by the 13-country average (OECD 2002: Annex 2B). The analysis shows that such adjustments lead to a widening and narrowing of the unadjusted pay gaps in the 13 countries (Figure 2.1). It is important to note that the technical assumptions in the Juhn-Murphy-Pierce model mean that the adjustments presented in Figure 2.1 represent upper and lower bounds to the influence of adjusting each country’s wage structure to that of the EU benchmark country (op. cit.). Countries where the pay gap narrows after adjusting for the difference in wage structure with the benchmark country include Finland, France, Germany, Greece, Ireland and the UK. In particular, the gap in the UK is reduced by between 2 and 4 percentage points due to its higher than average dispersion of wages, representing a potential maximum reduction from an unadjusted gender pay gap of 22.6 percentage points to 18.4 (Table 2.4). Countries where the gap widens after adjusting include the Netherlands, Portugal and Italy. Here, in contrast to the UK case, the Netherlands with its relatively narrow wage structure experiences a widening of the unadjusted pay gap by between 2 and 5 percentage points following adjustment, representing a potential maximum increase in the gender pay gap from 20 points to 25.4.

Figure 2.1. Percentage Point Difference from the Gender Wage Gap in the Benchmark Country Explained by Wage Structure

Notes: i. The gender wage gap is defined as the difference between male and female average wages expressed as a percentage of average male wages. A positive figure indicates a positive contribution to the difference between the gender wage gap in the country under consideration and in the benchmark country; Decomposition performed for all wage and salary employees aged 20 to 64 years.
ii. Hourly Wage Gap adjusted for the Wage Structure - Sum of the contributions due to cross-country differences in market prices for observed and unobserved characteristics.
iii. Wage Structure - Sum of the contributions due to cross-country differences in market prices for observed and unobserved characteristics.
Source: OECD Employment Outlook 2002 (Table 2.B.2)
Table 2.4. The impact on the unadjusted gender pay ratio of adjusting the wage structure to the EU benchmark country (maximum potential impact)

<table>
<thead>
<tr>
<th>Country</th>
<th>Unadjusted gender pay gap (%)</th>
<th>Gender pay gap adjusted for difference in wage structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>23.1</td>
<td>24.6</td>
</tr>
<tr>
<td>Belgium</td>
<td>12.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>13.8</td>
<td>15.4</td>
</tr>
<tr>
<td>Finland</td>
<td>18.9</td>
<td>18.0</td>
</tr>
<tr>
<td>France</td>
<td>20.0</td>
<td>19.5</td>
</tr>
<tr>
<td>Germany</td>
<td>20.4</td>
<td>19.7</td>
</tr>
<tr>
<td>Greece</td>
<td>14.8</td>
<td>12.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>18.1</td>
<td>16.2</td>
</tr>
<tr>
<td>Italy</td>
<td>7.6</td>
<td>10.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20.0</td>
<td>25.4</td>
</tr>
<tr>
<td>Portugal</td>
<td>12.3</td>
<td>18.8</td>
</tr>
<tr>
<td>Spain</td>
<td>12.0</td>
<td>11.4</td>
</tr>
<tr>
<td>UK</td>
<td>22.6</td>
<td>18.4</td>
</tr>
</tbody>
</table>


The evidence suggests, therefore, a positive association between the degree of dispersion of a country’s wage structure and the size of the gender pay gap – in line with the findings of Blau and Kahn (1992) and Rice (1999). Nevertheless, the report stresses the ambiguity of this relationship, based on an argument that women also benefit from a high positive differential between public sector and private sector pay and between low and high educated workers (see section 3.2 for a critique of this view).

2.3. Country estimates of explanatory variables

Choice of explanatory variables is determined both by the limitations of the data set and the subjective choice of the researcher. Most studies utilize both traditional human capital variables (education, experience, and so on) and variables for labour market structure (occupation, industry, firm size), and many also incorporate controls for household position (number of children, marital status). A small, but growing, number of studies also include a range of variables reflecting workplace characteristics (unionization, gender share of occupational group, etc.). Here, we review the results pertaining to the respective explanatory power of education, experience, occupation and workplace characteristics.

2.3.1 Education

Gender differences in education have traditionally been viewed as a major factor driving gender pay inequality. Over recent years, however, women have been catching up and even overtaking men’s educational levels. Among all OECD countries, women make up just 40% of those aged 55-64 years with tertiary education, but among the 25-34 age group this figure rises to 53% (OECD 2002: Table 2.3). Among EU member states, the female share of the total population with tertiary education is already above 50% in Belgium, France, Portugal and the Scandinavian countries (op. cit.). This increase in educational level may therefore be expected to contribute to a significant narrowing of the gender pay gap, given the mainstream assertion that human capital indicators underpin wage determination.
However, in many studies, it is noted that women’s increases in education have not led to the anticipated closing of the gender pay gap. For example, the Swedish study (SOU 2001) shows that the narrowing of gender differences in education and work experience between 1981 and 2000 should have led to a narrowing of the pay gap by around 6.5 percentage points, when in fact the gap widened (cited in Spånt and Gonäs 2002). Closer inspection of the Swedish data reveal that the gender pay gap among workers with post-secondary education (3 years or longer) and those with postgraduate education widened significantly between 1994 and 2000 (Spånt and Gonäs 2002: Chart 6); and the trend towards an increase in pay inequality is true for all age groups, with a widening of the pay gap by around 5 percentage points among those with tertiary education (op. cit.: Table 4).

In other words, while the mainstream approach would predict a closing of the gender pay gap associated with a narrowing of education levels among men and women, holding all other factors constant, in the real world it appears that many other factors are changing, or adapting, so that new forces come to the fore in the process of wage determination. The rise of alternative conditions in shaping wage structures is evident from the diminishing explanatory power offered by education differences in the mainstream decomposition models. Recent national and international estimates of adjusted gender pay gaps all tend to show that gender differences in education only explain a minor portion of the gender pay gap (for a selection of national studies see table 2.5).

Table 2.5. Education as an explanatory variable, selected national studies

<table>
<thead>
<tr>
<th>Country</th>
<th>Study</th>
<th>% of gap explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Ministry of Employment and Labour</td>
<td>3.7%</td>
</tr>
<tr>
<td>Finland</td>
<td>Vartainen (2001)</td>
<td>4.5%</td>
</tr>
<tr>
<td>Greece</td>
<td>Karamessini and Iokimoglou (2002)</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Spijkerman (2000)</td>
<td>7%</td>
</tr>
<tr>
<td>UK</td>
<td>Swaffield (2000)</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: National Reports; see Appendix Table 3 for details of national studies.

The results of the OECD (2002) study also show that education explains very little of the average gender pay gap in the different countries. From the information provided in the report (Table 2.B.4), it is not possible to compute the impact of controlling for differences in characteristics only. However, the information on the combined impact of differences in education levels and differences in the returns to education on the gender pay gap shows only a slight narrowing of the pay gap in most countries (especially Portugal, Spain and Greece) and a very slight widening in others (Austria, Netherlands and the UK). Similarly, according to the Employment in Europe study (CEC 2002), controlling for gender differences in educational attainment and training would, at the EU level of analysis, have a marginal impact – in this case it would actually widen the gender pay gap by around 1 percentage point (op. cit.: Figure 27).

Like the Swedish case explored above, other studies show that there is no clear relationship between increasing educational attainment among female workers and a closing of the pay gap. Estimation of the gender pay gap by level of education (low, medium and high, following the ECHP classifications), controlling for gender differences in work experience, reveals remarkable variety across 13 member states (Barth et al. 2002: Figure 3A). Comparing the gap among the least educated with the gap among the highest educated the study shows that only six member states register a substantially narrower pay gap among the highest educated (Belgium, Ireland, Spain,
Portugal, the UK and Norway), three register a substantially wider gap among those
with tertiary education (Denmark, the Netherlands and Germany) and four exhibit
little difference in the adjusted gap (France, Greece, Austria and Finland) (op. cit.). In
Denmark, where the adjusted pay gap doubles in size between those with less than
secondary schooling and those with tertiary education, it appears that women hit a
reinforced ‘glass ceiling’ at a point relatively low down the overall wage structure
(Gupta et al. 2001, cited in Barth et al. 2002: 20-21). An earlier study which
disaggregates by public and private sector employment shows that while women did
improve their qualifications between 1983 and 1994, this had no impact on the gender
pay gap because it was offset by other factors – such as, in the private sector,
disproportionate increases in skill prices which favoured male workers (Gupta et al.

These cross-national differences in the impact of educational attainment on the pay
gap are closely mirrored by the findings from studies of differences in rates of return
to education among male and female workers. Figure 2.2 shows that the wider gender
pay gap among more highly educated workers in Denmark and the Netherlands is
reflected in the evidence of strong gender inequality in rates of return to education,
with returns to education among male workers around 50% greater than among
female workers. Among those countries with little difference in the adjusted pay gap
among low and high educated workers, Finland figures as a country with no gender
difference in returns to education. Other countries with no apparent gender difference
in returns to education include Norway, Sweden and Portugal, although in these
countries the study by Barth et al (2002) finds a narrower pay gap among the higher
educated in the case of Norway and Portugal and, in the case of Sweden, national data
demonstrate a wider pay gap (Spånt and Gonäs 2002).

![Figure 2.2. Returns to education in EU member states, controlling for actual experience (1995 data)](image)

Source: Harmon et al. (2001: Table 1.2).

The difficulty with attempting to construct a match between returns to education and
cross-national differences in adjusted pay gaps is made more complicated by the fact
that what is estimated as a return to education, may also capture a range of other
determining factors and conditions which are specific to a particular society. In other
words, the pay-off associated with increasing educational attainment not only differs
in size, by country and by gender, but is also itself influenced by a variety of other
factors depending on the societal institutions and conditions. There are three obvious
societal factors, which shape gender and cross-national differences in returns to
education: the level and effectiveness of the minimum wage; the extent to which
women are concentrated among the low paid; and the degree of wage inequality at the
top of the employment structure. For example, it might be anticipated that Spain and
Portugal would reveal relative high returns to education, not because of a high
normative value associated with education, nor because education is translated into
productivity improvements relatively effectively, but because of the low floor to the
wage structure set by the low minimum wage (see section 4.2 below). Similarly, the
extent to which returns to education apply equally to male and female workers
depends, in part, on the share of women employed in the low paid positions. Again,
higher returns for female workers might be anticipated in countries, like the UK, for
example, simply because women workers are over-represented among the low paid.

2.3.2. Work experience

As with education, gender differences in work experience have narrowed over time
with women opting for more continuous employment patterns over the life cycle.
Mainstream models traditionally focus on gender differences in work experience as a
key factor that shapes disparities in human capital, with the assumption that
interruptions from the labour market are associated with skill depreciation, pulling
down wages. For example, the OECD study argues that:

*Understanding how labour market experience accumulates is important for policy
purposes since work interruptions impede human capital formation and thereby
productivity and wages* (OECD 2002: 81).

This view appears to be supported by a number of national studies that explicitly
identify skill depreciation during interruptions from employment as a major obstacle
to closing of the gender pay gap. For Germany, Beblo and Wolf (2000) argue that a
one year break from employment depreciates the effective accumulated experience by
around one third, controlling for job position, firm size and industry (cited in Maier
2002). Table 2.6 summarises the results of several other studies which suggest gender
differences in experience (variously defined) explain between 5 and 17 points of a
country’s average pay gap.

Table 2.6. Experience as an explanatory variable, selected national studies

<table>
<thead>
<tr>
<th>Country</th>
<th>Study</th>
<th>Variable</th>
<th>% of gap explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Ministry of Employment and Labour</td>
<td>Professional experience</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seniority</td>
<td>17%</td>
</tr>
<tr>
<td>Finland</td>
<td>Vartainen (2001)</td>
<td>Age</td>
<td>-16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Age squared</td>
<td>11%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Spijkerman (2000)</td>
<td>Experience</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Age</td>
<td>5%</td>
</tr>
<tr>
<td>UK</td>
<td>Myck and Paull (2001)</td>
<td>Actual experience</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- least educated</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- highest educated</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: National Reports; see Appendix Table 3 for details of national studies.
There is, however, an alternative interpretation of the negative impact of employment interruptions. Here the argument is not so much that women become lower skilled as a result of employment interruptions but that they lose access to jobs appropriate to their skill level. For example, some studies argue that the adverse effect of career interruptions on pay reflect a range of institutional factors that prevent return to the labour force on an equal footing with male workers (see Barrett et al. 2000 and Russell and Gannon 2002 for Ireland, cited in Barry 2002). Policy solutions to remedy such effects include improving childcare provision, strengthening the legislative framework for equality, enhanced entitlement to leave and specific measures for those returning to work after a period at home. Such policy recommendations are articulated for the case of Ireland and Austria, as follows:

The study found that a significant part of the average wage gap was due to differences in years of experience and years out of the labour market . . . This suggests that policies under the employment strategy to ‘reconcile family and working life’ are likely to be important in reducing the gender wage gap (Russell and Gannon 2002, cited in Barry 2002).

It would, however, be just as important to identify and develop additional strategies to counter the informal mechanisms at work that contribute to wage discrimination. Amongst other things, such strategies should be aimed at aiding the better reconciliation of work and family life. . . . If work organization in a company is flexible enough to allow individuals to reconcile job responsibilities and family carework, such people can evade suffering career disadvantages because of their carework duties (Gregoritsch et al. 2002: 55, 83, cited in Mairhuber 2002).

Indeed, the human capital argument that interruptions from employment lead to skill depreciation and losses in pay on return does not stand up to new evidence that explores the impact of different types of interruptions on pay. In a study of the impact of career interruptions on wages for young skilled female and male workers in Germany, Kunze (2002b) identifies a clear gender biased effect. While unemployment has only a minor effect on wages after returning to employment, parental leave has a substantial effect. Moreover, while women returning from maternity leave face an 18 per cent drop in wages, men returning from national military service enjoy a wage gain of 3 per cent (op. cit., cited in Maier 2002). Also, evidence for Austria demonstrates that women and men who had interrupted employment due to a period of unemployment between 1993 and 1997 earned 2.5% less (women) and 4.3% less (men) in 1997 compared to 1993. By contrast, women who had interrupted due to childcare earned 9% less in 1997 compared to 1993 (compared to 20% more among women who had not interrupted employment) (Gregoritsch et al. 2000).

In addition to the penalties from career breaks, women are also penalized in many countries in terms of the returns to any given year of experience, compared to men, controlling all other factors. This has been shown for France (Meurs and Ponthieux 1999, cited in Silvera 2002), for Spain (Riboud and Hernandez Iglesias 1989, cited in Moltó 2002), for Luxembourg – where women only gain from experience up to 20 years, but positive returns to men’s experience continue - (Lejealle 2001, cited in Plasman and Sissoko 2002) and for Portugal (Martins 1998, cited in Pilar González 2002). Also, measures of seniority in the firm tend to show higher returns for male workers than for female workers. In Belgium, one study shows that human capital accumulated within the firm has no impact on female wages but is significant and positive for male wages (Jepsen 2001, cited in Meulders and Sissoko 2002). In Spain,
women receive lower returns to tenure (Riboud and Iglesias 1989, cited in Moltó 2002). The gender penalty for experience is particularly marked for women in part-time employment. For example, in Belgium it was found that female part-timers have negative returns to experience. The author interprets this as possible evidence that employers believe women who return to part-time work following an interruption for childrearing are more committed to areas of non-paid family activities than to paid work (Jepsen 2001, cited in Meulders and Sissoko 2002). However, it is just as probable that this reflects the lack of internal labour market opportunities for part-time workers. It may be lack of promotion opportunities rather than poor productivity that characterizes the pay and employment position of female part-timers.

Further evidence demonstrates how the gender pay gap widens with experience in some countries. National data for Finland show that the pay gap widens, from a gap of 13 percentage points for workers with 1-9 years experience to a gap of 22 points for workers with over 30 years experience (Lehto 2002: Table 6). The Finnish study by Lilja (2000) of the banking sector also shows that as employees accumulate experience, gender differences in human capital diminish but this potentially positive impact on the gender pay gap is more than offset by widening differences in returns – both to education and experience (cited in Lehto 2002). Similarly in the UK, Myck and Paull (2001) show that gender differences in experience explain very little of the gender pay gap mainly because the pay gap tends to widen with increasing experience. Among workers with high education, the gender pay ratio follows an inverted U-shaped curve – from 85%, up to 95% after 8 years experience and then down to just 40% after 16 years experience. The authors interpret this evidence with the following argument:

*The decline may be related to a change in employment tastes or capabilities brought about by the presence of young children for working mothers. For example, mothers of young children may trade-off other desirable work aspects (such as flexible hours or the ability to work at home) against wage levels in their employment choice. The ability to trade such aspects may be greater for the more highly educated* (op. cit.: 23, cited in Grimshaw et al. 2002).

A similar conclusion is reached by the authors of a Danish study, where it is claimed that women choose to work in the low paid public sector because they enjoy greater flexibility and better possibilities for reconciling family and work (Pedersen and Deding 2000, cited in Emerek 2002). However, such claims are highly speculative in the absence of clear evidence of the existence of a high-paid alternative route, or indeed that it is the case that women are offered more family-friendly options in lower paid environments (controlling for education etc). In the absence of such evidence it is equally plausible to argue that other factors may be at play, particularly outside the Scandinavian countries where there is less evidence that the public sector does always provide a more family friendly environment or indeed that it always provides lower pay. In particular, the strongly negative returns to experience, relative to men, may reflect sex discrimination in the management function (as opposed to the allocative function) of the wage-setting process. Within organizations, managers may select men and women for differential job ladders within organizations whereby men are more likely to enjoy favourable, fast-track, career ladders than women.
2.3.3. Occupation and sector

The distribution of employment by occupation and sector continues to be strongly determined by gender (Anker 1998, Grimshaw and Rubery 1997, OECD 2002). For example, across all OECD countries, three quarters of all female employees are concentrated in just 19 out of 114 occupations compared to 30 occupations for men (OECD 2002: Table 2.11); large numbers of women work as salespersons, domestic helpers, secretaries, personal care and related workers (op. cit.: 88).

Since countries’ wage structures are segmented by occupation and sector, use of these factors as control variables in decomposition models has a great deal of power in explaining gender differences in pay, far more powerful than the waning influence of traditional human capital variables of education and work experience. Among the national studies for the EU member states, occupational differences explain as much as 16% of the pay gap in Belgium (Ministry of Employment and Labour 2001, cited in Meulders and Sissoko 2002) and 24% of the pay gap in Finland (Vartainen 2001, cited in Lehto 2002) and, for the UK, inclusion of occupational characteristics in the model explains an additional 15% of the pay gap (Joshi and Paci 1998, cited in Grimshaw et al. 2002). Further details of the results from the Finnish study are set out in Table 2.7. This shows clearly that almost the entire explained portion of the gap, and around half of the unadjusted pay gap, is explained by gender differences in occupation and sector; by contrast, differences in education, age and number of children contribute very little to the explained portion of the gap.

Table 2.7. Summary of decomposition results from a Finnish study of the pay gap

<table>
<thead>
<tr>
<th>Variable</th>
<th>Points due to difference in characteristics ('explained')</th>
<th>Points due to difference in returns ('unexplained/discrimination')</th>
<th>Total percentage point gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupation (ISCO)</td>
<td>5.22</td>
<td>--</td>
<td>11.58</td>
</tr>
<tr>
<td>Industry</td>
<td>5.82</td>
<td>--</td>
<td>10.13</td>
</tr>
<tr>
<td>Education (2-digit)</td>
<td>0.97</td>
<td>--</td>
<td>0.72</td>
</tr>
<tr>
<td>Size of firm</td>
<td>0.28</td>
<td>--</td>
<td>0.29</td>
</tr>
<tr>
<td>Fixed-term contract</td>
<td>0.29</td>
<td>--</td>
<td>0.29</td>
</tr>
<tr>
<td>Age</td>
<td>-3.44</td>
<td>0.72</td>
<td>21.45</td>
</tr>
<tr>
<td>Age square</td>
<td>2.36</td>
<td>2.67</td>
<td></td>
</tr>
<tr>
<td>No. of children (&lt;18)</td>
<td>0.13</td>
<td>1.41</td>
<td></td>
</tr>
<tr>
<td>No. of children (&lt;7)</td>
<td>-0.05</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td><strong>Percentage point gap</strong></td>
<td><strong>11.58</strong></td>
<td><strong>10.13</strong></td>
<td><strong>21.45</strong></td>
</tr>
</tbody>
</table>


Like education and experience, gender differences in occupational characteristics are, within the mainstream approach, considered as an outcome of individual choice reflecting a particular human capital investment decision. However, it is also possible to interpret the variable as exerting a demand-side influence on wage-setting, reflecting the notion that wages reflect characteristics of a particular occupation, or sector, which may reflect a wider array of influences on the wage-setting process, including those associated with the social and management functions of the labour market. Much progress has been made on this theme by incorporating a measure of occupational segregation into decomposition models. The study reported in Employment in Europe (CEC 2002) finds that at the EU level gender differences in occupation, sector and gender concentration have far stronger explanatory power compared to differences in age, education, or career interruptions. However,
compositional differences are outweighed by gender differences in remuneration by occupation, sector and gender concentration; together these differences in remuneration account for around nine percentage points of the EU gap of 16 points (op. cit.: Chart 27). In its conclusion, this study emphasizes the need to re-examine what we might interpret as the social and the management functions of labour markets in future exploration of the gender pay gap:

*The analysis has identified gender segregation by sector and occupation and lower paying female-dominated sectors and occupations as the biggest contributors to the gender pay gap at EU-level. . . . Secondly, the differences in the remuneration of the same characteristics between men and women have to be examined – in particular the fact that a higher female employment share in a sector or occupation is associated with lower earnings even more so for women. Given that the analysis has controlled for inter-sectoral and occupational differences this could reflect (societal) preferences regarding the valuation of various types of jobs – the more so as women are more often employed in sectors and occupations in which productivity is more difficult to measure (CEC 2002: 42-43).*

National studies also show the wage penalties associated with high levels of occupational sex segregation – again, emphasizing the demand-side nature to the wage determination process. For Austria, Boeheim et al. (2002) show that the higher the share of women in a given sector, the lower the average wage, holding other factors constant. For Finland, a female-dominated workplace is associated with lower female earnings for all levels of education (Lehto 2002: Table 8). And for the UK, gender segregation at the work group level explains around one quarter of the gap among full-timers (Anderson et al. 2001, cited in Grimshaw et al. 2002). The following quotes spell out the implications of these findings:

*Gender differences in the distribution of occupations go a long way to explain the pay gap between men and women. Thus some of the unequal treatment is not so much about the gender of workers but the gender of jobs (Joshi and Paci 1998: 94, cited in Grimshaw et al. 2002).*

*In principle, it would be wrong to eliminate the effect of an occupational field while attempting to find the ‘inexplicable’ proportion caused by discrimination in the pay differentials. Nevertheless, in economic analysis this has often been the case (Kangasniemi 1997). At Statistics Finland too, gender pay differentials are calculated by eliminating the ‘effects’ of occupations or industries (Lehto 2002).*

A recent study for Greece takes this development one step further – towards what might be described as a radical approach to decomposition analysis. Here, the average wage for each occupation in each sector is included in the specification as a reference wage for individual bargaining of employees with employers. Average occupational wages by sector reflect a range of influence, such as skill requirements and gender composition of occupations and occupational mix, market structure and rent sharing capacity of sectors (Karamessini and Ioakimoglou 2002, cited in Karamessini 2002). The study finds that sex segregation by occupation and by sector account for 57% of the gender pay gap in industry and 51% in services; only 20% is attributed to observed individual characteristics (op. cit.).
2.3.4. Workplace variables

Studies which are attentive to the demand-side wage-setting role of occupational structure are also likely to include, data permitting, a range of other variables that pick up characteristics associated with the workplace. Again, the point is that the wage-setting process does not simply involve a matching of wages to productivity-related characteristics of individuals – not even in a world without discrimination. It also involves a matching of wages according to firm size, trade union density, collective bargaining coverage, female share of the organization and the work group and position in the organizational job hierarchy. Evidence that these variables influence the size of the differential between male and female average earnings does not mean that the allocative function of the labour market needs reasserting through corrective policy action. Instead, it means that policy needs to be attentive to the complexity of the wage-setting process, reflecting the allocative, social and management dimensions of the labour market.

While investigation of the impact of workplace variables is limited by quality of data sets, several national studies have already made significant progress (Table 2.8). For example, for the Netherlands, Spijkerman (2000) shows that gender differences in job level offer the most powerful explanation for the average gender pay gap – explaining a full 38% of the gap, compared to just 7% due to differences in education, 5% due to age differences and 4% due to differences in experience. This finding reflects the strong obstacles associated with vertical segregation within organizations, with women over-represented in the lower level jobs and under-represented in the high level jobs (cited in Plantenga and Sjoerdsma 2002). For the UK, three related studies draw on detailed workplace level data to show that workplace characteristics are more important factors in explaining wage differences than personal characteristics (Forth and Millward 2000, 2001; Anderson et al. 2001). For example, in the private sector the marginal effect of working in a workplace with only men raises pay by 6 per cent, compared to a gender mixed workplace, while working in an all female workplace reduced the pay by 7%. Similar effects were found in the public sector (Forth and Millward 2000).

Table 2.8. Workplace factors as explanatory variables, selected national studies

<table>
<thead>
<tr>
<th>Country</th>
<th>Study</th>
<th>Variable</th>
<th>% of gap explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>Karamessini and Iakimoglou (2002)</td>
<td>Job characteristics, Bargaining and size of firm, Occupational and sectoral segregation</td>
<td>6% industry, 5% services</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Spijkerman (2000)</td>
<td>Job level</td>
<td>38%</td>
</tr>
<tr>
<td>Portugal</td>
<td>Ribeiro and Hill (1996)</td>
<td>Female share of occupation</td>
<td>60%</td>
</tr>
<tr>
<td>UK</td>
<td>Anderson et al. (2001)</td>
<td>Female share of full-timers at work group level, Female share of full-timers at industry level</td>
<td>25%, 6%</td>
</tr>
</tbody>
</table>

Source: National Reports; see Appendix Table 3 for details of national studies.

A study in a similar vein that preceded these relatively recent studies is that by Le Grand (1991), which draws on the 1981 Level of Living Survey for Sweden to investigate the effectiveness of solidarity wage bargaining in securing equal treatment of men and women in the Swedish labour market. The hypothesis is that if solidarity wage bargaining was powerful in promoting equal pay for equal job types then
controlling for job characteristics ought to generate an adjusted pay gap of zero. The results show that variables related to job segregation (especially positional grade and occupational segregation, measured as female share in the occupation) have most explanatory power, accounting for around three quarters of the explained gender pay gap. Overall, Le Grand shows that if men and women had the same positional grade and if there were no occupational segregation then the unadjusted gender pay gap would decrease by around 40 per cent (from a gap of 20 points to around 12). There are two further empirical findings of note. The first relates to the inclusion of a range of variables that measure working conditions such as the degree of autonomy and inconvenience of working hours. Le Grand shows that the pay difference between men and women has very little to do with Adam Smith’s theory of ‘compensating differentials’, since gender differences in working conditions explain very little of the gender pay gap. This finding supports our earlier argument that there can be no a priori assumption that lower pay implies a trade-off in favour of more family friendly policies. The second finding is that in the original specification, Le Grand did not include industry or occupational variables. Further tests were carried out with an expanded wage model with 26 industry dummies but this only reduced the adjusted pay gap by 0.5 per cent (op. cit.: 272). It is likely that the small effect of the industry variable is due to these effects been picked up in other variables such as working conditions and positional grade (normal skill demands and supervisory position).

2.4. Problems with the mainstream approach

Our review of the role of different labour market variables in explaining the gender pay gap suggests that there has been some progress on two fronts. First, the development of the Juhn-Murphy-Pierce approach represents a radical departure from the Oaxaca-Blinder technique since it no longer seeks solutions within a human capital inspired wage-setting model but instead incorporates the institutional processes which shape differences in wage structures across countries. Secondly, a number of studies which rely upon the Oaxaca-Blinder decomposition have started to incorporate demand-side workplace variables – following the increasing sophistication of many data sets – which, again, represents a significant break from the human capital wage-setting model and focuses attention on the social and management functions of the wage-setting process. Moreover, these two lines of progress are not simply a reflection of development of statistical techniques since they also offer greater explanatory power, in the form of cross-national differences in wage structures and the role of workplace-based variables which are outside the scope of individual choice.

However, despite the increasing attention being paid to institutional and workplace characteristics in cross-national work, following the Juhn-Murphy-Pierce approach, the Oaxaca-Blinder approach is still the dominant technique used to explore the gender pay gap at national level. Moreover, while there has been more attention paid to the inclusion of workplace characteristics of late, these are often regarded as additional variables, to be included after what are considered the most salient human capital and workplace experience variables. Thus while progress has been made in showing the limitations of this technique it is still the technique of choice among most mainstream and national analyses of the gender pay gap. With such an influential tool, it is important to consider the validity of its underlying assumptions and to critique its use for both measuring the gender pay gap and providing policy guidelines.

The Oaxaca-Blinder approach indeed appears to offer an apparently straightforward method for informing policy on how to close the gender pay gap by identifying the
importance of a range of factors in different countries in explaining the average pay gap between male and female workers. For example, in some countries it may be differences in years of work experience that is the main explanatory factor, with the implication that policy targeted at expanding childcare provision and paternity leave might eliminate the gender difference in years of work and therefore significantly close the observed gender pay gap. In other countries, it may be sex segregation by sector that accounts for a major part of the observed gender pay gap, with the implication that policy action to equate the male-female share of individual sectors would be the most effective way of establishing gender pay equity. However, despite its apparent simplicity and policy focus, the Oaxaca-Blinder decomposition relies on a number of assumptions and, in the way particular statistical techniques are deployed, this adds a certain ambiguity to the results generated and lends complexity rather than simplicity to the interpretation of these results.

The problems are not insignificant. Indeed they arise as a direct consequence of the core objective of the Oaxaca-Blinder decomposition to separate out an explained portion of the gender pay gap and an unexplained portion attributable to discrimination. Again, it is worth emphasizing that the Oaxaca-Blinder decomposition approach developed out of Becker’s (1957) theory of discrimination (Blau and Ferber 1987). This states that wage discrimination is the pay difference between two groups that is not accounted for by productivity differences. However, statistical estimation of discrimination is no easy matter, a point not lost in the early studies of Oaxaca and Blinder (for a general critique, see Butler 1982). The challenge for the decomposition approach is thus twofold: to identify all the individual characteristics that can be said to have an impact on productivity; and to develop a technique which separates out the independent effects of productivity and discrimination on the gender differential in pay. It is in the struggle to meet this challenge that a number of inter-related problems arise.

2.4.1. Choice and definition of control variables

The first problem is that because the neoclassical economic model assumes pay is equated with productivity, it is necessary to include as many individual characteristics related to productivity as possible in the specification of the wage equations. However, sources of wage data are imperfect in this regard. The problem is referred to as one of ‘unobservable productivity characteristics’. If male workers, on average, are more highly qualified than female workers with regard to omitted variables, then the value of discrimination will be overestimated. Indeed, it is well-known that a key development in the decomposition approach has involved the progressive inclusion of more and more variables in the wage equations, expanding the vector of productivity-related characteristics; with the addition of more variables, so the adjusted pay gap associated with discrimination has diminished (Gunderson 1989, Humphries 1995). The selection of control variables tends to incorporate standard variables, such as education and job experience, but there also appears to be a degree of subjectivity in the selection (such as the use of immigrant status, union membership or company size variables). Oaxaca in his classic 1973 study was clear on this issue:

*It is clear that the magnitude of the estimated effects of discrimination crucially depends upon the choice of control variables for the wage regressions. A researcher’s choice of control variables implicitly reveals his or her attitude towards what constitutes discrimination in the labour market* (op. cit.: 699).
In practice, choice of control variables is likely to be constrained by their availability in the chosen source of data. However, where the researcher is keen to include a variable because of a known association with earnings, often proxy measures are incorporated instead. The best example of use of imperfect measures is for the variable work experience (for a broad-ranging critique, see Kunze 2000). As we saw above, few data sets include reliable information on years in employment as well as years in the current organization. Many studies thus rely on a proxy variable for potential experience that subtracts years of total education and five or so years of pre-schooling from the age of each individual. The potential bias of this proxy variable (since women are more likely to have intermittent labour force participation than men) is controlled for by including a children status variable in the female wage equation to reflect the cost of lost experience due to childcare (assuming depreciation of skills during the period of absence); the major problem with this technique is the potential for problems of correlation between the two control variables, number of children and potential experience (Oaxaca 1973: 698).

2.4.2. Feedback effects

The second problem is that although the statistical technique appears to separate out an ‘explained’ from an ‘unexplained’ component of the gender pay gap, there are good reasons to believe that the distinction is in fact rather more blurred. This is referred to as the ‘feedback effect’ problem in the literature. The assumption of the model is that controlling for gender differences in characteristics (education, experience, occupation and so on) means that one can produce an estimate of how similar workers would potentially be treated in the labour market and claim that any remaining pay difference is attributable to discrimination. But labour market discrimination may also shape observable productivity differences (Bergmann 1989, Humphries 1995). For example, employers may discriminate against women directly in blocking their access to training programmes. Moreover, once we consider that the choices that individuals make concerning education, participation and working time are in fact endogenous, it is clear that women’s perceptions of labour market sex discrimination may adversely affect decisions to invest in education and training. Taken together, these feedback effects mean that labour market discrimination (or the estimate of the adjusted gender pay gap) is likely to be underestimated in the Oaxaca-Blinder decomposition approach.

How much of a problem is this for conventional applications of the Oaxaca technique designed to inform policy? Of course, it is entirely possible for the researcher to claim that the identification of an ‘explained’ portion of the gender pay gap is only designed to guide policy to the particular areas associated with gender pay inequality, whether this concerns inequality in education, training or job tenure. The researcher may in fact be indifferent as to whether gender differences in personal characteristics are interpreted as reflecting free individual choice or as involving some element of labour market discrimination through feedback effects. The problem with this is that the explanatory power promised by the model is much diminished. The policy-maker may now know, for example, that gender differences in the level of workplace training are an important factor in explaining the gender pay gap, but the causes of this are still unclear. Is labour market intervention required to reduce discriminatory employer practices and open up more training places for women, or are the differences the result of the different household responsibilities of men and women with female workers more likely to underinvest in training because of lower attachment to the labour market? The former policy approach may be preferred by those researchers attempting to use the model in a way that encourages more positive labour market intervention.
The latter fits with the neoclassical assumptions of the original specification of labour market choice and discrimination in the works of Becker.

There is a long-running debate between these two opposing camps. On the neoclassical side, Mincer and Polachek (1974) argue that it is optimum for women to invest less in education than men since women specialize in household production and the rearing of children and therefore envisage labour force participation as discontinuous. Since time spent out of waged work constitutes a depreciation of human capital, women choose to enter occupations where the loss in wages due to absence is minimal, resulting in a crowding of women in jobs that require low levels of education and training and pay low wages (op. cit.; see, also Becker 1993, Fuchs 1989). Against this position, England (1982) demonstrates that if men and women are assumed to wish to maximize wage earnings then in fact it makes more sense for women to enter higher paid occupations before childbirth; moreover, if the decision does involve a balancing of expected returns to human capital to the respective depreciation rate then it is not clear that this implies a choice of low investment in human capital (see, also, Beller 1982). The direction of causality is also questioned by a series of case studies in the US that identifies a negative causal relationship between female entry and declining occupational earnings (Reskin and Roos 1990). Unfortunately, despite the sophisticated statistical insights of the Oaxaca approach, the results as conventionally presented do not provide sufficient justification for either approach. In other words, some of the major questions underpinning debates in active labour market policy remain unresolved.

These problems of policy interpretation were noted from the outset. In the conclusion to his study, Oaxaca tells us:

*Another difficulty in the residual approach is that it does not take into account the effects of the feedback from labour market discrimination on the male-female differences in the selected individual characteristics. The differences could reflect the adaptation of women to the biases of the labour market; yet under the residual approach all differences in the characteristics contribute to a reduction of the wage differential attributable to discrimination. The problem becomes one of how much of the observed differences in individual characteristics would exist in the absence of discrimination. These very difficult problems have not been dealt with in this study, but they are clearly important in terms of policy prescriptions for narrowing the male-female wage differential (1973: 708).*

### 2.4.3. Occupation and sector as control variables

The problems already discussed are neatly illustrated by consideration of the issues raised by the inclusion (or not) of occupation and sector as control variables. In almost all studies reviewed above, inclusion of these variables adds considerably to the explanatory power of the model, generating a much reduced adjusted pay gap. The reason for this is not only that occupational variables correlate with wage differentials, but also that occupational categories may correlate with a host of unobserved variables that impact on the wage level. This is illustrated in the Swedish study by Le Grand (1991) where eight variables characterising working conditions were used instead of occupation. When a decomposition was carried out with occupation as an

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7 On balance, given the strong assumptions of the model, it is more likely that the results can be justified as compartmentalizing the gender pay gap into one component resulting from free rational choice and another resulting from discrimination – that is, discrimination is assumed not to affect human capital choices (Butler 1982).
additional control variable it was found to have very little explanatory power. In other words, the working conditions variables (such as job monotony and autonomy) are likely to be unobserved productivity-related variables in other models, but picked up by the occupation control variable. Also, in Oaxaca’s (1973) study the part-time work variable has relatively strong explanatory power, but, again, this may have been strongly associated with occupational categories. These ambiguities in the statistical results suggest that it is perhaps more important to focus, for example, on the inter-relationships between occupation, working conditions and part-time work and the way these shape gender wage differentials. As Kunze has recently argued:

One shortcoming of these two decomposition techniques (Oaxaca and Juhn-Murphy-Pierce) is that, when occupation is controlled for in the wage regression model, the distribution of men and women across occupations is taken as exogenous (Kunze 2000: 30).

It has long been known that the more detailed the classification (of occupations or industry sectors) the greater is the explanatory power of this variable. This demonstrates that sex segregation (by occupation or industry) plays an important role in shaping the gender pay gap. However, use of detailed classifications as a control variable may factor out discrimination in promotion practices and obstacles to advancing up occupational categories (such as into managerial categories, for example). Several reviews of the approach argue that correcting the gender pay gap for differences in occupational activity using detailed occupational classifications will produce an underestimation of discrimination (or of the ‘adjusted’ pay gap) (Cain 1986, Chiplin 1979). For these reasons most studies use relatively broad classifications of around 6 to 12 categories.

More generally, it is worth noting that in his (1973) study, Oaxaca was concerned that by controlling for occupational differences between men and women ‘some of the effects of occupational barriers as sources of discrimination’ would be eliminated leading to an underestimation of discrimination (p. cit.: 699). Hence, the study refers to estimates from two separate decompositions; the first decomposition involves personal characteristics only and the second involves personal and job characteristics. At best, therefore, the two estimates may be thought of as setting lower and upper bounds, respectively, to the extent of discrimination (or as maximum and minimum levels to the adjusted gender pay gap).8

There is also a major problem associated with how to interpret the results from decomposition studies that highlight the strong explanatory power of occupation or sector. For example, where a study finds that, controlling for other factors, occupational differences explain 50 per cent of the observed pay gap in country A, but just 20 per cent of the gap in country B, this has ambiguous implications. It may mean that country A has a worse record on equal opportunities than country B and therefore needs to reduce sex segregation within occupations. But this depends on the particular country. In Germany, for example, it is the skill and qualification of the worker, rather than the job title, which determines pay within an occupation (Marsden 2000). Hence, even after controlling for gender differences in age, education, employment contract, and so on, application of the model to Germany may misrepresent the role of occupational differences simply because of the absence of controls for skill and qualification. Also, differences in pay between occupations may be more important in

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8 One innovative study treats the occupation variable as endogenous, rather than as a ‘productivity-related’ characteristic, in order to better capture the barriers women face when attempting to enter male-dominated occupations (Kidd and Shannon 1996).
many countries, so that the extent to which the gender share of occupations matters depends on where they stand within the overall wage structure. In some respects this is picked up in the work that develops the Juhn-Murphy-Pierce model by introducing variables that control for wage dispersion (see above). This is important because women’s employment at different points of the wage distribution is associated with a particular wage penalty but the size of this penalty differs substantially between countries. However, what happens when a female-dominated occupation moves up the ranking in a country because the pay of a male-dominated occupation has fallen relative to the average? How does the statistical approach disentangle the effects of wage dispersion and occupational sex segregation when the outcome is a narrowing of the gender pay gap through the levelling down of men’s pay?

2.5. Summary

In this section we have assessed the principles, applications and limitations of the standard Oaxaca-Blinder approach to decomposition, or adjustment, of the gender pay gap. The more recent development of the Juhn-Murphy-Pierce method presents a radical departure from this approach since it allows for cross-national differences in overall wage structure to play a determining role in the relative size of a country’s gender pay gap. Nevertheless, it is the former method that still commands most attention in national and international studies. Our review demonstrates a wide variety of results from the various national studies, within countries, over time, and across different countries, contingent on the particular data set, choice of variables and statistical methods. What is clear from most national and international studies is that the traditional explanatory power accorded to gender differences in personal characteristics, such as education and experience, in explaining the gender pay gap has diminished considerably. Moreover, in some cases, the potentially positive impact of a narrowing in gender differences in levels of educational attainment has been offset by rising returns to skills which favour male workers, suggesting that forms of labour market discrimination have increased in importance. In general, there are problems with interpreting the precise contribution of gender differences in returns to personal characteristics since broader institutional factors, not captured in these decomposition models, also shape the level of returns. In other words, differences in returns experienced by male and female workers may not be simply a reflection of sex discrimination within the organisation, but may reflect patterns of gender inequality as constituted within the broader labour market system. Problems of interpretation are especially acute where decompositions include occupation and sector as productivity-related control variables, since this obscures a host of demand-side characteristics associated with working conditions and type of employment contract. Applications of the Juhn-Murphy-Pierce technique and the recent incorporation of workplace variables into decomposition models present more balanced approaches to pay determination which are not rooted wholly in the human capital model with its assumptions of perfect allocation constrained by labour market discrimination. These studies show that country differences in wage structures and workplace variables are more significant than personal characteristics in explaining the gender pay gap and thus contribute new insights to the way pay policies and practices require gender mainstreaming. However, the decomposition approach still limits the usefulness of these findings for informing policy, especially when applied to cross-national analysis. If we are to appreciate how patterns of gender inequality are embedded in a range of interlocking features of a country’s system of wage-setting, then what is required is closer examination of cross-national differences in wage structures and institutions. This is the aim of the following section.
3. Structure of wages and the gender wage gap

3.1. Wage structures and the gender pay gap

Gender mainstreaming, according to Rees (1998), should focus attention on how inequality is embedded in systems and structures. One of the major examples of systems and structures that underpins gender inequality is the wage structure. Over recent years there has been much more recognition of the importance of the structure of wages in explaining variations in the gender pay gap between countries and over time. During the 1980s and early 1990s a number of contributions to the academic literature pointed to the need to consider both changes in the overall structure of wages and changes in gender pay relativities as two separate if interconnected factors impacting on both trends in the gender pay gap and overall trends in gender inequality (Rowthorn 1992, Bettio 1988, Blau and Kahn 1992, Whitehouse 1992, Rubery and Fagan 1995, Bernhardt et al. 1995). That is, gender pay inequality depends on the overall system of wages and not just on the specific equality measures. This insight has been incorporated, as we have seen, into the more sophisticated decompositions of the gender pay gap using the Juhn-Murphy-Pierce approach that adjusts both for wage structures and for gender differences in characteristics and returns to characteristics. However, it is not clear that the gender mainstreaming lessons of these decomposition techniques have been fully appreciated. The econometricians conducting the analyses tend to see their work as an opportunity to focus on the factors associated with gender, having taken out of consideration the more general influences of the wage structure. As such, these analyses do not tend to consider the possibility of designing gender pay policies that are aimed at changing the wage structure in ways that are favourable to women.

These two influences on the gender pay gap have often found been to be pushing in different directions; for example, differences in the average position of women and men within the wage hierarchy may be decreasing but the gender wage gap is being kept open by the increasing penalty attached to those in lower positions in the hierarchy. Sometimes- for example the case of Italy in the 1970s and 80s - the dominant force closing the gender pay gap may be found in the general compression of the wage structure, as a consequence of systems of wage indexation that favoured the low paid workers. This compression in Italy was not, however, based on a commitment to gender equality, thereby leaving women vulnerable to a subsequent widening of the gap when the system of wage determination changed in favour of wider differentials.

‘The narrowing of gender differentials was never an explicit target of trade union wage policy in Italy. In fact, as pointed out by several Italian scholars, Italian trade unions have never shown a strong commitment to reducing gender differentials. The issue of women’s low pay has traditionally been seen as part of the general problem of economic inequity’ (Villa 2002:33)

In Scandinavian countries the narrowing of the gender pay gap was also attributed to the impact of solidaristic bargaining in compressing the overall wage structure (Høgsnes 1995). However, in contrast to the situation in Italy, the narrowing of the gender pay gap could be considered more an intentional outcome of the wage policy, in line with a widespread commitment to gender equality. As such, one could expect perhaps these gains to be less vulnerable to reversal under the impact of the gender wage policy. The extent to which these two factors operate as entirely separable
influences on the gender pay gap may vary between societies, dependent upon the integration of gender equality policies within the overall development of wage policy.

Once the wage structure is identified as a cause of gender pay differences it also becomes apparent that wage discrimination may not affect all groups of women equally; in some societies there may be more ‘discrimination’ at the bottom of the labour market while in others it may be found more among the more privileged or educated workers. These differences may be related to the system of wage determination, in particular the strength of mechanisms providing minimum floors to the wage structure.

Three factors have called attention to the importance of the wage structure in explaining trends in the 1990s. First, the development of comparative research on the gender pay gap has highlighted not just the differences in the overall gender wage gap but also in, for example, the penalties attached to employment in female-dominated jobs (OECD 1998). Second, as we have already seen, in some countries the traditional explanatory factors in the decomposition of the gender wage gap - particularly education and experience - began to lose their power as the gender gaps in these variables closed or even reversed. Yet the pay gap failed to close and even widened in some cases. New explanations were sought in the changes to the prices attached to characteristics- in particular in the rising price for skill and the increasing wage penalty for being low skilled. Finally, the general thrust of wage policy at member state level and at the EU was to promote wider wage differentials, as incentives for higher efforts among the more skilled and to help the lower skilled to ‘price themselves into work’ (OECD 1994). These policies were promoted through moves towards more decentralised and flexible systems of wage determination. These new pay policies could have major implications for the gender pay gap and there is clearly a need to analyse their independent impact. In section 2 we identified how differences in wage structures contributed to increasing or reducing the measured gender pay gap. Here we focus more specifically on the differences in the shape of the wage structures and how these differences may impact not only on the overall size of the gender pay gap but also on how they may advantage or disadvantage different groups of women and men. We address three aspects of the form of the wage structure; differences in the shape of the distribution, both overall and with respect to gender differences at different points in the distribution; trends in the wage structure and the impact on women and men; and differences in the relative wages attached to occupations, industries or labour market contracts and the implications of these differences for the notion of equal pay for work of equal value.

3.2 Differences in the shape of the wage structure and the gender pay gap

Figure 3.1 shows that there tends to be a positive correlation between the size of the gender pay gap and the degree of wage dispersion. As women tend to be concentrated in the lower sections of the pay structure, it follows that if the penalty attached to holding a relatively low paid job is not so large, then the gender pay gap will tend to be narrower. The OECD (2002) in its recent analysis of the gender pay gap disputes this perspective: it states that ‘Blau and Kahn’s finding that the more compressed the wage structure the smaller the gender wage gap (Blau and Kahn 1996), while pertinent to the comparison between the United States and other countries, cannot be generalised.’ (OECD 2002:105) However, this conclusion derives primarily from two findings: first that women benefit more from positive differentials in favour of the public sector. Obviously if the wage structure is such as to favour the earnings of those occupations at the top end of the distribution where women are concentrated,
there is likely to be a closing of the gender gap. The second argument focuses specifically on Portugal which has a high share of women with high education in high paid jobs, primarily in the public sector; if the wage structure was narrower in Portugal then the gender pay gap would be considerably wider. There may be a problem with the reliability of these public sector pay statistics (see section 4.3.2 below and Employment in Europe 2002) but in any case, a dispersed pay distribution can only contribute to closing the gender pay gap by benefiting women more at the top than at the bottom of the earnings distribution and there are a range of arguments that can be made why it is more socially desirable to aim for the opposite to occur. There therefore seem to be rather weak grounds for the OECD’s rejection of the notion that pay compression is favourable to gender equality.

Figure 3.1. Wage inequality and the gender pay gap

Note: The gender pay ratio is for all employees (full-time and part-time); Wage inequality is measured as the inter-decile ratio, D1/D9, calculated from industry pay data (48 classifications); Gross hourly pay data, overtime excluded; Austria is excluded due to lack of industry pay data; Germany: East Germany (De) and West Germany (Dw)


Figure 3.2 in fact demonstrates that there are major variations within the countries in the size of the gender pay gap between the lower and the upper parts of the wage structure. Moreover these differences in size of gap are by no means similar across member states. In some countries there is a much larger gap at the top end of the distribution than at the bottom while for others the pattern is reversed. In yet other member states the gap is similar at all points or smaller at the median than at the top and bottom ends.

In several countries the gap at the bottom end of the distribution is comparatively small- with ratios of above 90% in Belgium, Denmark, Finland, France, Italy and Sweden- while in others - Ireland, Austria and the UK - the ratios are all below 80%. At the top end of the distribution there is an even wider range to the gender pay gap- 76% to 98% - than we find when taking the standard gap based on mean values. However, we find a different ordering of countries by levels of gender inequality at this end of the wage dispersion. Those where the ratio is over 90% again include Belgium, France and Italy but these are joined by Spain and Portugal. Notably the Scandinavian countries have ratios below 90% at this level and in Finland the ratio falls as low as 77%, the lowest ratio except for the UK. So far we have been considering the level of the ratios, but there are also variations between countries as to whether there are marked increases or decreases in inequality as one moves up the earnings distribution: those where the gap widens by at least 3 percentage points between the bottom and top quintile include Denmark, the Netherlands, Portugal,
Sweden and the UK; those where it narrows by at least 3 percentage points include Greece, Spain, Ireland and Austria.

If we combine the information on level and shape of the distribution, we can come up with a more differentiated policy agenda for member states than if we only confine ourselves to looking at gaps in average values. Those countries where the ratios are particularly low at the bottom end of the distribution are also those where the average gap is large, suggesting that action needs to be taken across the board, but perhaps with particular attention to the low paid. A gap of over 20% in this section of the distribution must be even less acceptable than at higher ranges. These countries include the UK, Ireland, Austria and Germany. In some countries, the gender pay gap at the average level may appear relatively favourable but the disaggregated analysis reveals a particular problem at the top end of the distribution—notably Finland, Sweden and the Netherlands. For others, very high recorded ratios at the top end are reflected in rather high mean average earnings, perhaps providing a more favourable picture than would be the case if median or lowest quintile earnings were also considered. These countries include Portugal and Spain.

Figure 3.2 (a). Earnings Structure and the Gender Pay Gap, 1998

Figure 3.2 (b). Earnings Structure and the Gender Pay Gap, 1998

Note that there is not necessarily a continuous narrowing or widening of the distribution—the gap at the median level may be wider or narrower than that found at either ends.
This section has focused on differences in the structure of wage distributions between member states. Sections 1 and 2 have already highlighted the importance of trends in the wage distribution as factors that may offset or nullify other trends that could be expected to narrow the gender pay gap. In particular we identified the tendency for men to benefit more than women from the rise in wage inequality or the higher price for skills during the 1990s. At the same time in some countries there may be a tendency towards polarisation of the wage structures as some parts of the service sector expand on the basis of low paid or non standard jobs. These trends are not, however, evident in all member states and can be considered to be the outcome of particular policy approaches and institutional arrangements and not simply or mainly a response to new market conditions. Internal country-specific explanations tend to focus on market trends, but these explanations are less compelling when the other similar countries do not experience, for example, such rapidly rising returns to skill, even when they start with more compressed wage structures and have a similar trend towards high skill jobs. For example, a study by Machin (1996) of the causes of the rapidly rising wage inequality in the UK and the US compared to other OECD countries concluded that although there was evidence that skill-biased technical change was contributing to rising inequality, the changing nature of labour market institutions also had be taken into account.

What also seems clear is that, when one takes an international perspective, the countries which have seen the largest rises in wage inequality are those where the influence of labour-market institutions in wage setting has declined most. This is demonstrated by the demise of unions over several decades in the US and the collapse of British trade union movement in the 1980s as compared to other countries where unionisation has remained more stable. Others have stressed the erosion of minimum wage policies that traditionally raise wages for those at the bottom end of the earnings distribution. This, together with the changing nature of work (including employers’ changing human-resource strategies and divergence of management styles) has led to a widening of the earnings distribution’ (Machin 1996: 63)

A further important issue to be considered is what is happening to the male wage distribution; it is important to identify whether any closing of the gender pay gap, overall or at particular points of the distribution relate to changes in male earnings, in particular processes of levelling down of men’s’ pay towards women’s’ pay. This has been found to be an important explanation of the closing of the gender pay gap in the US and clearly represents a much less favourable method of reducing gender inequality (Bernhardt et al. 1995).

3.3 Relative wages in female-dominated occupations, industries or contracts and the implications for equal value.

While one of the common problems facing women in all countries is their relative concentration in low paid segments and occupations, there are considerable differences in the pay penalties attached to this concentration. A study for the OECD (Grimshaw and Rubery 1997, OECD 1998) of pay in female-dominated occupations across seven countries found that wages in the occupations where women are most concentrated were even lower paid, on average, than the pay for women in all remaining occupations. However, the size of this pay penalty varied widely. For example, sales and shop assistants were found to have earnings close to or under half of male average earnings in the US and the UK but near to 60% or over in Australia, France and Norway. Among nurses the pattern was rather different with much higher
relative pay levels for professional nurses in the US and Australia—well above male average earnings—, somewhat lower than male average earnings in Canada and the UK but earnings equivalent only to 88% of male average earnings in Norway. However, nurse assistants and auxiliaries received the highest relative pay in Norway—at 77% of male average pay, compared to rates as low as 55% in the United States (see table 3.1). These findings suggest that there are differences not only between countries in how far low skilled female work is rewarded but also in the differentials attached to high skill female work, relative to male average earnings. It is not necessarily the case that a country that rewards some women with very low earnings has the same policy towards all types and grades of female-dominated jobs. These findings underline the complexity of comparing payment systems and the wide scope for public or social choice, as embedded in the prevailing pay structures.

Table 3.1: Relative pay in female-dominated jobs: an OECD comparison

<table>
<thead>
<tr>
<th></th>
<th>Full-time</th>
<th>Part-time</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales/shop assistants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>58.8</td>
<td>57.2</td>
<td>57.8</td>
</tr>
<tr>
<td>Canada</td>
<td>55.6</td>
<td>52.5</td>
<td>..</td>
</tr>
<tr>
<td>France</td>
<td>59.0</td>
<td>59.0</td>
<td>59.0</td>
</tr>
<tr>
<td>Germany</td>
<td>46.4</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Norway</td>
<td>64.0</td>
<td>62.4</td>
<td>63.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>47.3</td>
<td>43.5</td>
<td>44.4</td>
</tr>
<tr>
<td>United States</td>
<td>52.2</td>
<td>50.7</td>
<td>50.4</td>
</tr>
<tr>
<td><strong>Professional nurses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>102.6</td>
<td>106.2</td>
<td>104.2</td>
</tr>
<tr>
<td>Canada</td>
<td>94.4</td>
<td>..</td>
<td>97.1</td>
</tr>
<tr>
<td>Germany</td>
<td>75.4</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Norway</td>
<td>86.0</td>
<td>91.1</td>
<td>88.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>96.0</td>
<td>92.0</td>
<td>94.3</td>
</tr>
<tr>
<td>United States</td>
<td>146.4</td>
<td>123.6</td>
<td>131.0</td>
</tr>
<tr>
<td><strong>Nursing assistants/auxiliaries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>62.6</td>
<td>..</td>
<td>65.3</td>
</tr>
<tr>
<td>France</td>
<td>72.9</td>
<td>72.0</td>
<td>72.7</td>
</tr>
<tr>
<td>Germany</td>
<td>51.4</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Norway</td>
<td>73.6</td>
<td>79.8</td>
<td>77.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>63.3</td>
<td>62.2</td>
<td>62.8</td>
</tr>
<tr>
<td>United States</td>
<td>51.8</td>
<td>63.1</td>
<td>55.2</td>
</tr>
</tbody>
</table>

Source: OECD 1998 tables 2.4 and 2.5 based on Grimshaw and Rubery 1997, tables 13, 14 and appendix table 5

The only dataset where we can compare pay levels by detailed occupational or industrial category at the EU level is the Structure of Earnings Survey; as this excludes public services many female-dominated jobs such as nurses are not represented in the dataset. However, figure 3.3 shows how the relative level of pay received by women in female-dominated occupations varies across member states. We show this by computing the ratios of female earnings within an occupation to average male full-time earnings in the whole economy. The occupations selected for the most part are characterised by female dominance but we also include one male-dominated occupation for the sake of comparison. We find a similar range of variation to that found in the OECD study: for example the ratios for ‘models, sales persons and demonstrators’ varied from 46.3% in the UK to 74.5% in Sweden, for personal and
protective services from 44.8% in the UK to 78.8% in Sweden and for clerks from 66.4% in the UK to 93.3% in Portugal. The male-dominated occupation- plants and machine operators- also shows wide variation between countries; the UK and Sweden again account of the highest and lowest shares but it is notable that there are major differences between two Southern countries- Greece, where the ratio is the third highest at 70% and Portugal where it is the second lowest at 57.4%. We have also included some female-dominated industrial sectors such as retail, textiles and hospitality and catering where again the spread of earnings ratios varies by a factor of 20 to 28 percentage points, with member states distributed across this range, even though the UK and Sweden continue to appear at either end of the spectrum.

These differences in ratios, however, do not only reflect differences in tendencies towards compression or dispersion of earnings or the related differences in the size of the gender pay gap. Although there is obviously some tendency for the most dispersed countries to have the lowest ratios and the least dispersed the highest, there is also evidence of differences in relativities within countries that is not simply related to the degree of inequality. Figure 3.4 shows there are wide variations in the size of differentials among women workers; taking ‘models, sales persons and demonstrators’ as the base level we find the advantage for women of obtaining a clerical job compared to a sales job varies from as low as 7% in Sweden to over 40% in not only the UK and Portugal but also Denmark and Luxembourg. In contrast taking a job as a plant machine operative involves a penalty of 8% in Portugal but an improvement of 16% in Greece and 20% in the UK. This finding of variations in relative pay structures when pay structures are compared internationally has been supported by a recent study of the ILO October earnings inquiry data that collects information on occupational earnings on a world-wide basis (Freeman and Oostendorp 2000)\textsuperscript{10}.

\textsuperscript{10} We have also looked at the range of ratios for male pay within the same selected occupations and sectors. There is clear evidence of variations in structures for male as well as female workers, but the floor to the labour market for men tends to be higher, thereby restricting the range of ratios between countries. By and large the minimum ratio in these occupations is 70% or higher. The main exception to this finding is for some service sector jobs in the UK where the ratios fall well below 60% for sales and for personal and protective service workers. There are a few other examples where male occupations or sector ratios fall below 70% of male average earnings but out of 90 observations only 12 fell below 70%, three below 60% compared to 64 out of 90 for women’s earnings. These are all low paid jobs for men as well as women with the earnings ratio only rising once above the average male earnings level (for male workers in textiles in Sweden).
Figure 3.3 (a) Relative Level of Pay of Women in Selected Occupations - Clerks
Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in ISCO 4 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.3 (b) Relative Level of Pay of Women in Selected Occupations - Personal and Protective Service Workers
Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in ISCO 51 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.3 (c) Relative Level of Pay of Women in Selected Occupations - Models, Sales Persons and Demonstrators
Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in ISCO 52 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.3 (d) Relative Level of Pay of Women in Selected Occupations - Plant and Machine Operators and Assemblers
Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in ISCO 8 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995
Figure 3.3 (e) Relative Level Pay of Women in Selected Sectors - Retail Trade

Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in NACE 52 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.3 (f) - Relative Level of Pay of Women in Selected Sectors - Hotels and Restaurants

Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in NACE 55 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.3 (g) Relative Level of Pay of Women in Selected Sectors - Manufacturing of Textiles

Note: Relative level of pay is calculated as the ratio of female gross hourly earnings in NACE 17 to average male full-time earnings in the whole economy; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995
Figure 3.4. (a) Wage Differentials Among Women in Selected Occupations - Clerks

Note: Female Average Gross Hourly Earnings for Models, Sales Persons and Demonstrators = 100; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.4. (b) Wage Differentials Among Women in Selected Occupations - Personal and Protective Services Workers

Note: Female Average Gross Hourly Earnings for Models, Sales Persons and Demonstrators = 100; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995

Figure 3.4 (c) Wage Differentials Among Women in Selected Occupations - Plant and Machine Operators and Assemblers

Note: Female Average Gross Hourly Earnings for Models, Sales Persons and Demonstrators = 100; overtime excluded; no data for Ireland
Source: Structure of Earnings 1995
Differences in wage structures apply not only to occupational and industrial differentials but also to differences by contract type. The decomposition of the gender pay gap in Employment in Europe (2002) using ECHP data has found that in almost all countries, and for men and for women separately, temporary contracts attract a lower earnings level even after adjusting for occupation and level of skill in the job. The negative impacts are particularly high in the Netherlands, Luxembourg and Spain involving reductions of up to 16.5% (Employment in Europe 2002 :39). Whether men or women suffer most from pay reductions in temporary jobs varies between countries - emphasizing again the diversity in systems in Europe - but where men face a higher penalty it is in relation to higher rewards for permanent work than for women.

The same decompositions found the expected negative impact of part-time work on pay levels to be much less widespread than anticipated and indeed some countries showed positive impacts on hourly earnings once differences in education, demographic characteristics, tenure, career interruptions and occupation etc had been accounted for. As part-time work tends to be concentrated in many countries in very low paying occupations this result is not as optimistic for gender equality as it might at first appear. It could be that in some countries full-timers in occupations dominated by part-timers also face a pay penalty and this could be one reason why after adjusting for occupational characteristics, for example, there is no additional pay penalty to part-time work. Figure 1.6 showed that there are wide variations between member states in the unadjusted pay gap between female part-time and male full-time work. In particular the UK stands out as a country which imposes an extra penalty on part-time workers even after the characteristics of part-time work by sector and occupation and of part-time workers- by family situation and employment history-are taken into account (Joshi and Paci 1998).
4. Wage formation systems and the gender pay gap.

4.1 Collective bargaining systems and the gender pay gap

Our discussion of the impact of the shape of the wage structure on the size and incidence of the gender pay gap has already pointed to the importance of the systems of wage determination for gender equality outcomes. The systems of wage determination have provided a fruitful source of study for comparative analyses of industrial relations, macroeconomic policies and employment systems (Calmforth and Driffill 1988). However, as we have already mentioned, only a few studies attempted to make a connection between societal differences and issues of gender pay equity. This work – including studies by the gender and employment expert group (Rubery and Fagan 1994, 1995, Rubery et al. 1997, Grimshaw 2000) and other scholars (Rowthorn 1992, Bettio 1988, Whitehouse 1992) - can be said to have made an early contribution to gender mainstreaming. These studies have revealed the importance of four factors in shaping the gender pay gap:

1. The institutional arrangements for gender wage determination- including the degree and strength of unionisation, collective bargaining coverage and minimum wage systems in female-dominated employment segments

2. The integration or coordination of wage setting systems, across occupations, firms and sectors

3. The embeddedness of gendered norms and valuations in the collective bargaining systems, minimum wage systems and job gradings

4. The social norms and values influencing changes in wage rates and wage systems.

These four dimensions to wage determination systems mean that it is not necessarily possible to identify either types of wage determination systems or particular countries where the practices are all particularly favourable to or indeed unfavourable to the objective of closing the gender pay gap. Indeed it is important to identify not only the gender dimensions of existing structures, along each of these four dimensions but also current trends within these, to obtain a clear picture of likely progress towards or obstacles to the closing of the gender pay gap. Here our focus is on both the continuing structural differences between European member states in their wage determination systems (see table 4.1) but also, and more particularly, on developments in these systems and their implications for the gender pay gap over the last decade.
Table 4.1 Characteristics of country systems of wage setting

<table>
<thead>
<tr>
<th>Country</th>
<th>Union density</th>
<th>Collective bargaining coverage</th>
<th>Bargaining level</th>
<th>Bargaining coordination</th>
<th>Extension practice</th>
<th>Mechanism for regulating low pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>39.8</td>
<td>70%</td>
<td>Sectoral** and company*</td>
<td>Strong</td>
<td>High</td>
<td>Collective agreements</td>
</tr>
<tr>
<td>Belgium</td>
<td>69.2</td>
<td>96%</td>
<td>National***, Sectoral* and company*</td>
<td>Medium</td>
<td>High</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Denmark</td>
<td>87.5</td>
<td>69%</td>
<td>National**, Sectoral ** and company *</td>
<td>Strong</td>
<td>None</td>
<td>Collective agreements</td>
</tr>
<tr>
<td>Finland</td>
<td>79.0</td>
<td>83%</td>
<td>National***, Sectoral* and company*</td>
<td>Medium-strong</td>
<td>Moderate</td>
<td>Collective agreements</td>
</tr>
<tr>
<td>France</td>
<td>9.1</td>
<td>95%</td>
<td>Sectoral* and company***</td>
<td>Medium</td>
<td>High</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Germany</td>
<td>29.7**</td>
<td>79%</td>
<td>Sectoral*** and company***</td>
<td>Medium-strong</td>
<td>Moderate</td>
<td>Collective agreements</td>
</tr>
<tr>
<td>Greece</td>
<td>32.5</td>
<td>--</td>
<td>National*, Sectoral*** and company*</td>
<td>Medium-strong*</td>
<td>High*</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Ireland</td>
<td>44.5</td>
<td>66% **</td>
<td>National***, Sectoral* and company*</td>
<td>Medium-strong*</td>
<td>None*</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Italy</td>
<td>35.4**</td>
<td>--</td>
<td>Sectoral*** and company*</td>
<td>Medium</td>
<td>High (automatic)</td>
<td>Collective agreements</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>50.0**</td>
<td>60%*</td>
<td>Sectoral*** and company***</td>
<td>Medium*</td>
<td>High*</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Netherlands</td>
<td>27.0</td>
<td>82%</td>
<td>Sectoral*** and company**</td>
<td>Medium</td>
<td>Moderate</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Portugal</td>
<td>30.0*</td>
<td>92%</td>
<td>Sectoral*** and company *</td>
<td>Medium</td>
<td>High</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Spain</td>
<td>15.0</td>
<td>83%</td>
<td>Sectoral*** and company *</td>
<td>Medium-weak</td>
<td>High</td>
<td>National minimum wage</td>
</tr>
<tr>
<td>Sweden</td>
<td>79.0</td>
<td>92%</td>
<td>Sectoral*** and company *</td>
<td>Strong</td>
<td>None</td>
<td>Collective agreements</td>
</tr>
<tr>
<td>UK</td>
<td>29.0</td>
<td>39%</td>
<td>Sectoral* and company***</td>
<td>Weak</td>
<td>None</td>
<td>National minimum wage</td>
</tr>
</tbody>
</table>

Source: 1. 2000 data EIRO (2001), * 1999, ** 1998 2. 1996 data (Traxler et al. 2001: Table III.15);* information from national reports ** Estimation provided by national expert 3.EIRO (2001) *** dominant form, ** important form * present but not very important; 4. adapted from Lodovici (2000: Table 2E) and Traxler (1996: Table 3); *information from EIRO (2001) plus national reports 5. Traxler (1996: Table 3) plus *information from national reports; 6. EIRO (2001)
4.1.1. Collective bargaining coverage and the system of minimum wage determination

The formal coverage of collective bargaining systems in most EU member states has remained high over the past decade. In the majority of EU countries the system of national and or sectoral/occupational bargaining, coupled with the extension of agreements to non signatories ensures that the overwhelming majority of employees are covered by collective bargaining agreements. The three countries with the largest potential gaps include Luxembourg where coverage is 60%, with particular gaps in small firms in the service sectors and Ireland where coverage rate is estimated at 66%. Here collective bargaining coverage prior to the national agreements was very patchy and there are still no extension mechanisms making the national agreements mandatory on all employers, even though they are widely followed, even by firms without a union presence. However, in comparison to the UK, both these countries have relatively comprehensive coverage. In contrast, in the UK by 2000 the coverage had fallen to 42%, even for establishments with more than 10 employees. The UK stands out as the country where the trend decline in coverage is the strongest and from a very low starting point (see box 4.1): in workplaces with over 25 employees the share of employees covered by collective bargaining fell from 54% to 40% between 1990 and 1998, continuing the declined from 70% in 1984 (Millward et al. 2000: 197). While the pattern in the UK is clearly not yet appearing as a general trend in the EU, in many countries there is a problem with obtaining regular and good quality information on the actual coverage of collective bargaining. Even more importantly there are developments in the strength and content of collective bargaining that may have implications for gender equality, both positive and negative.

With the introduction of national minimum wage systems in the two countries – the UK and Ireland - which had previously lacked any really effective mechanism for protecting pay at the bottom of the labour market, the number of countries with statutory minimum wages within the EU has risen to nine, leaving six countries where collective agreements are the main mechanism used for regulating low pay. While coverage of collective bargaining in all six countries remains high, particularly with respect to minimum wage determination, the coverage is not complete, particularly where extension mechanisms are not used- for example Denmark- or where they are incomplete- for example Germany.

While coverage of most employees is relatively high, there are differences by gender in those that fall outside the regulatory system. For example, according to Moltó (2002), in Spain the excluded men are mainly the self-employed and higher level executives, while the excluded women are informal sector workers and domestic workers. These differences are likely to be found in many EU countries but the intensity of the problem depends in part on the extent to which women have been integrated into the formal wage economy or confined to marginalized and informal sector jobs.

There are also differences in coverage by sector and occupation that have implications for gender equality. Many of the gaps in the coverage of the German collective bargaining system have been attributed to new industries, in services sectors, often with a high female share (see box 4.1). In Luxembourg most of the excluded workers are in services, particularly small firms. In Spain the service sector has traditionally not had as comprehensive coverage as manufacturing but over the last decade the share of new agreements in the service sector has increased, and the share of workers covered in these sectors has also expanded. In the UK the share of workers in private services covered by collective bargaining has always been low and has continued to
decline. However, by far the largest falls in coverage have occurred recently in manufacturing, with the result that the gender gap in coverage by collective bargaining has been declining, but through a process of levelling down—that is reductions in coverage for male employees (see table 4.2 on trade union presence by share of women in the workforce).

Female-dominated sectors, particularly in the private sector, tend to have much weaker traditions of collective bargaining than male-dominated sectors. This weakness applies to the level of wages negotiated and to the content of collective bargaining (Rubery and Fagan 1994). For example, although in Spain the gaps in coverage of collective bargaining have been recently at least partially plugged, the wage increases negotiated in private services have been lower than other sectors. Also in France the strength of collective bargaining is much weaker in the private services sector where wages tend to be close to the minimum wage level.

“From the point of view of women and their pay, social and historical construction of collective agreements is thus far from being neutral: women, in a general context of low levels of unionisation, are even less represented in these structures (…) and are concentrated in the less structured sectors, as far as industrial relations are concerned” (Silvera 2002).

The problem of the content of collective bargaining has been exacerbated in some countries over recent years through the shift in level of bargaining from the national or sectoral level to the company or individual level. As we document further below, gender inequalities tend to be more evident in collective bargaining at the local level. Thus the maintenance of formal coverage may be less beneficial where the national or sectoral level has a reduced influence on wage determination and where negotiated pay rises may fall below the rate of inflation—as has occurred for example in Italy (see 4.1.2 below). However, in some countries, again as we discuss below, the impact of recessionary conditions or the macro economic requirements of the EMU has halted trends towards decentralisation, at least for a while, thereby restoring the importance of national or sectoral level negotiations.

Table 4.2. Union presence by sector and female share of workforce in the UK

<table>
<thead>
<tr>
<th>% establishments with 25 or more employees</th>
<th>1980</th>
<th>1984</th>
<th>1990</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>All establishments</td>
<td>73</td>
<td>73</td>
<td>64</td>
<td>54</td>
</tr>
<tr>
<td>Broad sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private manufacturing</td>
<td>77</td>
<td>67</td>
<td>58</td>
<td>42</td>
</tr>
<tr>
<td>Private services</td>
<td>50</td>
<td>53</td>
<td>46</td>
<td>35</td>
</tr>
<tr>
<td>Public sector</td>
<td>99</td>
<td>100</td>
<td>99</td>
<td>97</td>
</tr>
<tr>
<td>Proportion of employees female</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-24%</td>
<td>81</td>
<td>79</td>
<td>66</td>
<td>47</td>
</tr>
<tr>
<td>25-74%</td>
<td>66</td>
<td>68</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>75%+</td>
<td>72</td>
<td>78</td>
<td>72</td>
<td>72</td>
</tr>
</tbody>
</table>

Private sector only

| Proportion of employees female            |     |     |     |     |
| 0-24%                                     | 76  | 72  | 60  | 39  |
| 25-74%                                    | 52  | 51  | 41  | 30  |
| 75%+                                      | 46  | 42  | 40  | 49  |

Source: Millward et al. 2000: 85
Box 4.1 Coverage of collective bargaining

The United Kingdom has seen a continuing decline in collective bargaining coverage: by 1998, for workplaces with 10 or more employees, only 42% are covered by any form of collective bargaining, 30% in the private sector and 68% in the public sector. Most public sector workers not covered by collective bargaining have their pay determined by an external review body - called pay review bodies but over 60% of private sector workers have their pay determined by management, either at the workplace or at a higher level in the organization. The decline in coverage has been concentrated in the private sector. Collective bargaining was much more widespread in manufacturing than private services in 1984 but its coverage declined from a half to under a quarter over 14 years. The rate of decline in private services was similar but from a lower level- from 36% in 1984 to only 14% in 1998. While in 1980 it was male-dominated workplaces that were most likely to have a union presence, by 1998 female-dominated workplaces were the most likely. To a large extent these patterns are related to the presence of female-dominated workplaces in the public sector. However a similar pattern emerges, albeit less extreme, within the private sector. The decline in union presence in male-dominated workplaces has been particularly rapid in the private sector in the 1990s, declining from 60% to just 39% between 1990 and 1998. However union density level remains highest in the male-dominated workplaces.

In Germany there are significant differences in coverage between the West and the East: in West Germany 62.8% of all (non-manual and manual) employees are covered by sectoral agreements and 7.3% are covered by firm-specific agreements (70.1%) while in East Germany only 45.5% of all (non-manual and manual) employees are covered by sectoral agreements and 9.9% are covered by firm-specific agreements (55.4%). However some firms not in an employers´ association may follow the relevant collective agreement voluntarily: this increases coverage by 15% in the West and 24% in the East so that all in all around 84% of all employees are included. This percentage has been stable for some years (BMA, 2002, p. 10). The sectors not covered by collective agreements are mainly in service sector, and especially in most firms related to churches, lawyers, consultancies, political parties, lobby organisations, employers association and trade unions, chambers of commerce, media agencies, private schools, sports clubs, private health care institutions, soft-ware development and related “new economy” firms, fitness- centres and related private services, household related services etc (BMA, 2002, p. 9). Most of these industries employ women in the lower and middle level of jobs. It is not clear if there is a trend towards decline or stagnation of collectively agreed wages: in East Germany the sectors covered by sectoral agreements are declining as employers leave the employers´ association but firm-specific agreements are increasing.

Sources:
Grimshaw et al.(2002); Maier (2002)

4.1.2 The coordination of wage determination systems, across occupations, firms and sectors

So far we have been discussing the coverage of collective bargaining, without reference to the coordination and articulation across levels of bargaining. Women’s pay has tended to be better protected by more coordinated and articulated bargaining systems, although there is no inevitable relationship between the degree of coordination and the gender pay gap (see box 4.2). Over the past decade the trend in most member states has been towards more decentralisation of pay and fragmentation of wage determination. Particular strong examples of this trend include Italy and Denmark.

In Italy, national agreements on contractual earnings have only been allowed to set pay increases within targeted inflation rates, resulting in a reduction in real negotiated minimum earnings (Villa 2002). However, negotiations at the company level have more than made up for this gap, giving rise to average earnings increases well above inflation, but with company-level bargaining skewed towards sectors in which men predominate. This system contrasts with the pattern in the 1980s and early 1990s
where there was an indexation of national agreements that provided flat-rate wage increases that favoured the low paid in general and women in particular.

In Denmark there has been a move away from centralised wage negotiations to a decentralised and individualised system where collective bargaining only provides a minimum guaranteed earnings level (Emerek 2002). This move has been more complete in the private than the public sectors and in the former there are even no guarantees by job grade or education.

However, these moves towards decentralisation take place within very different contexts in relation to commitment to gender equality issues. It is still not known what effect the decentralisation is having on the gender pay gap, although there have been studies suggesting that it has contributed to, but not been the dominate cause of widening earnings inequality. Nevertheless, there is still a strong consciousness of gender pay issues and last year the then Danish government decided to require all companies to publish pay data on men’s and women’s earnings. However, this law has now been postponed by the new government. In Italy there has been much less debate and concern over gender pay gaps arising as a consequence of the new systems of wage determination.

The more pay determination is decentralised, the greater the risk of widening pay differentials and a widening gender pay gap. This outcome may be attributed to several factors: greater opportunities for well organised groups of men or individually powerful men to bargain for higher wages at the local level; greater discretion for managers in locally-determined wage setting and pay supplements; greater difficulty in measuring or improving performance rates in some female-dominated sectors particularly the care sectors. While these are tendencies, there is no inevitable relation between local pay determination and rising gender wage gaps. The experience of Scandinavian countries, particularly Denmark, should be taken as test case to see how far it is possible to decentralise but maintain or improve upon the gender pay ratio. It is not yet known what the long term outcome will be but even in Denmark with its high commitment to gender equality, there is already evidence that decentralisation is widening gender gaps at least to some extent (Gupta et al. 1998).

In some countries this trend towards decentralisation and fragmentation has been halted by the requirements of macroeconomic management. In Finland and Belgium, for example, in the 1990s there has been a marked move back towards more centralised and indeed national level wage negotiations related to the perceived need to control overall wage increases. This centralisation has had some unexpected spin-offs for gender equality: in Finland there have been equity supplements paid for low wage workers, thereby helping women workers (see box 4.2). In Belgium the increasing involvement of the Federal government in wage determination has had the result of introducing some new issues onto the bargaining agenda including some such as on reconciliation and equal value, that relate to gender equality and have been prompted by debates and discussion at the EU level (see section box 4.2 and section 5 below). Ireland has also consolidated its system of national level bargaining over the past decade. This system focuses primarily on nationally-agreed rates of wage increases but has been introduced into a previously decentralized system where there was only partial coverage of collective bargaining. Although the new system has now established more comprehensive coverage of collectively agreed increases there has been little attention paid to issues of equity and consistency of pay levels between sectors or organizations. Without mechanisms to ensure coverage of all groups or to develop a gender sensitive system of job grading, national-coordinated bargaining is likely to continue to reproduce gender pay inequalities.
Wage setting in Ireland has since the mid 1980s been mainly coordinated through the National Agreements covering economic and social issues over usually a three year period. These Agreements set annual rates of wage increase together with provisions for locally or company negotiated productivity deals. Existing wage relativities are protected and even reinforced through this process. Some provision has been made under individual agreements for higher flat rate increases to the lower paid.

In Austria since the early 1980s, the task of pay framework-setting has implicitly been left to the metalworking industry: collective agreements in the metalworking industry set the scene for pay negotiation in all other sectors but these agreements are not only known for their orientation towards general economic criteria but also for managing without policies for the establishment of equal pay structures. Wage determination in Austria thus combines two elements that are generally thought to be incompatible: “a high degree of coordination with general economic considerations and a high rate of pay differentials and wage flexibility”.

In Finland the 1990s has also been a decade of multilateral incomes policy agreements. Multilateral agreements embrace the principle of inter-sectoral pay solidarity which in itself is favourable to female-dominated fields. Equally, it has been possible to include in multilateral agreements equality supplements, which are important in principle, as well as many social reforms, such as those on childcare leave entitlement.

In Belgium, since 1986 wage growth has been limited either by law or by a general agreement between employers and employees at the federal level. Previously the general agreement, concluded every two years, only determined minimum standards, such as the minimum wage, and the sectors and companies were free to negotiate the wage increase at these levels. In the last four general agreements, the maximum wage increase that could be negotiated in the sectors or companies has been fixed (for example 5.4% within two years in the last agreement). Moreover, the Authorities more and more intervene to impose their priorities in collective agreements, due mainly over these last years to the need to meet European targets and focus on international competitiveness. Therefore the Government has been exerting pressure on social partners to conclude collective agreements concerning issues such as, in particular, the conciliation between professional and private life (career break, leaves (maternity, parental, adoption, for family reasons, etc), measures to promote employment (for women, low skilled workers, old people, etc), measures that encourage the equal treatment between man and women (access to trainings, revising of the function classification).

Sources:
Barry (2002); Mairhuber,(2002); Lehto (2002); Meulders and Sissoko, (2002)

4.1.3 The embeddedness of gendered norms and valuations in the collective bargaining systems, minimum wage systems and job gradings

The third important aspect of the wage determination systems is the valuation attached to jobs and skills associated with female and male labour respectively. As there is gender segregation not only by occupation but also by firm and sector, these issues apply to inter-sectoral as well as inter-occupational valuations at the firm level.

If we start with inter-sectoral valuations first, there is considerable evidence, as we reviewed above in section 2, that female-dominated sectors tend to be lower paid than male dominated segments; this applies in some countries not just to average wages but also to minimum wages even though the minimum job grade in each sector could be expected to involve relatively comparable levels of skill. Wage determination systems that tend to set comparable minimum wages in all sectors may therefore be expected not only to benefit women but also to be likely to reduce gender wage discrimination at the bottom of the labour market. Relatively high minimum wage levels can be achieved either through the setting of a high statutory wage or by the establishment of common minimum pay levels in collective bargaining agreements. Among the
member states there are clear differences in the extent to which either minimum wages or collective bargaining has established a common floor to the labour market: for example in France the SMIC affects a relatively high share of the working population (nearly 20% of women and nearly 10% of men) while in other countries the minimum wage is set at a sufficiently low level that it does not affect many workers at all, as for example in Spain. Among those setting minimum wages by collective bargaining, the floor to wages remains relatively high in the Scandinavian countries while in Austria and Germany in particular there is a very wide range of minimum wage levels set by collective bargaining (see box 4.3). These differences tend to be correlated with gender shares of employment. Moreover in Germany there is very limited interest in changing these inter-industry differentials; problems of the gender pay gap are said to be a problem of occupational choice and the valuation of jobs is not called into question.

Collective agreements are therefore still an anchor of the German wage/pay system. They support the existing gender wage gap in two aspects: firstly collective agreements in male-dominated sectors usually have higher wages than in female dominated sectors. Some of the female-dominated sectors can be called “collectively agreed low wage sectors” – as Germany has no minimum wage, very low wages are often part of collective agreements (like in the textile industry, in food processing, in cleaning or in private health care). (Maier 2002).

In Italy these high floors are being questioned as the government considers whether a statutory minimum wage system would allow for wider sectoral wage dispersion (see box 4.3).

A further source of gender inequality is the valuation of jobs within collective agreements at the company and sectoral level. Few countries report major progress in developing more gender sensitive job classification systems, although as we outline in section 5, a number of initiatives and studies are still underway. Obstacles to progress seem to lie in the lack of interest by the social partners, in problems in implementation and in concerns about the impact of some schemes on commitment to collective bargaining arrangements. A new law in France has made it obligatory on social partners to bargain over equality issues, including occupational pay and grading, but the effects of the legislation have not yet been felt (see section 5.1.4).

| Box 4.3 Variations in minimum wages by sector |

Two properties of the industrial relations system in Austria are likely to contribute to gender-related inequality (Traxler 2001:4): 1) “the fact that pay differentials are generally wide, not only according to gender but also in terms of sectors and employment status”, and 2) “the irrelevance of solidaristic goals for wage setting”. The minimum wage in the various collective agreements tend to diverge substantially: for example, in mid-1998, minimum wage in the catering industry – which, together with the textile and cleaning industry, makes up the lowest paying sector – stood at €886.61 per month, while in late 1997 workers in the metalworking industry earned a minimum of €1,039.22. In 2001, a gradual increase of the minimum wage to €1,000 until 2003 was agreed on for the hotel and catering industries; the collective agreement for temporary work, which came into force in March 2002, also provides for a minimum income of €1,000. The collective agreement of the metalworking industry of late 2001 provides for a minimum wage of €1,196.92. During the 1980s female incomes rose much faster than men’s earnings: this development is partly due to trade union pay policies and their efforts to introduce a minimum wage for all collective agreements of €10,000 (€726.73) (Mesch quoted in: Schlager 2001:357). In the Nineties wages and salaries at the lower end of the pay distribution went up much more slowly than the average.

In Germany a recent government report has concluded that collective agreements now have more differentiated wages as “high wage sectors increased wages more rapidly than sectors with lower
collectively agreed wage levels. Some collective agreements included newly created/defined lowest wage groups, or agreed on lower ‘entry wage’ levels for newly recruited personnel.” (BMA, 2002, p.31) However this widening did not only apply to female-dominated sectors: in 1996 a minimum wage regulation in the construction industry and related crafts was introduced to ensure that foreign construction companies offering services/production on German sites have to pay a agreed minimum wage. This wage is – compared to overall German wages standards – low. Moreover there is also a regional gap with very low paid East German workers in sectors which are low paying in the West, too.’ (Maier 2002)

In **Italy** the Ministry of Labour is beginning to see the system of fixing minimum wages through collective bargaining as a source of wage inflexibility at too high a level of wages. Italy has had more of a tradition of setting similar minimum wage levels by sector. The argument of the Ministry of Labour (Libro Bianco) is the following:

“The institutional system determining wages in Italy favours the endurance of an earning structure relatively little differentiated. Moreover, one has to point out the absence of national minimum wages set by law. This function, in fact, is played by sectoral collective agreements. With respect to other countries, this function is played less efficaciously, relatively to prevention of abuses, given that CCNLs [sectoral collective agreements] set relatively high wage rates, with respect to the average wage. As a matter of fact, the minimum wage rates set by CCNLs are between two thirds and three quarters of average wage, well above the 50% that is assured by statutory minimum wages in the majority of countries having this tool.”(Ministero del Lavoro, Libro Bianco, 2001, p. 13)

It is implicitly argued that statutory minimum wages can be a useful policy tool as long as they are set at sufficiently low rates to favour downward wage flexibility. Nothing is said, on the other hand, about the need to provide a safety net for marginal workers.

**Sources:**
Mairhuber (2002); Maier (2002); Villa (2002)

### 4.1.4. The social norms and values influencing changes in wage rates and wage systems.

Wage systems, as we have demonstrated throughout this report, take different forms in different member states. These differences emerge out of a range of forces but include the influence of social norms and values, as manifest in social choices in the formation of the wage structure(Høgsnes 1994, 1995). It is these differences in social norms that can help explain the differences in outcomes for gender equality from apparently similar systems of wage determination. Thus the coordinated centralised systems of bargaining found in Scandinavian countries and Austria have resulted in very different levels of the gender pay gap; this is explained by the importance of solidaristic bargaining in Scandinavia and the ‘irrelevance’ of solidaristic norms within the Austrian system (Traxler 2001:4- see also Zweimüller and Barth 1994 and box 4.3). Not only do social norms vary between countries but they also evolve over time. There is some evidence across all countries of increased acceptability and indeed promotion of more individualised and performance-related systems of wage determination in the 1990s and 2000s in comparison to the position in the 1970s and 1980s. The extent to which the individualised norm has been adopted of course still varies between member states. The implementation of this norm has tended to provide more scope for managerial discretion, higher pay rises for the higher skilled and more scope for variations between companies and sectors for similar categories of labour. These institutional correlates of the individualised norm make it harder to implement and monitor progress towards equal pay, at least using the standard tools that have been developed such as job evaluation systems. This promotion of the individualised norm has coincided with a comparative neglect of improvements for low paid workers. As we will see below, in many countries the minimum wage has declined in real and relative terms over the 1990s although in some cases there has been a modest
improvement in the latter part of the decade. Finland perhaps stands out as having offered equality supplements in the first half of the 1990s, but this policy may have been influenced by the severe restructuring processes that Finland experienced at this time, that led to the re-establishment of multi-lateral bargaining. Its traditions of solidaristic bargaining and gender pay equity may have been a factor in the decision to offer equality supplements to offset some of the effects of pay restraint.

4.2 Minimum wage systems and the gender pay gap.

The effectiveness of minimum wage protection systems is critically important for gender pay equality for several reasons. In particular women are more likely than men:
- to be concentrated in jobs affected by minimum wage regulation;
- to be in jobs or sectors where there is limited scope for collective bargaining, thereby increasing the importance of labour market level regulations;
- to be more concentrated in jobs that may be excluded from minimum wage regulations, either formally or in practice. The coverage and enforcement of minimum wage regulation thus takes on particular importance for gender equality.

4.2.1. The coverage of minimum wage systems

The last decade has seen the introduction of national minimum wages in both the UK and Ireland, thereby plugging two major holes in the systems of minimum wage protection across the EU. However, there has been no development of statutory minimum wage policies in other countries reliant on protection through collective bargaining. Therefore as the gaps in minimum protection have been filled in the UK and Ireland (see box 4.4), new patches of unprotected jobs may be emerging elsewhere.

There have been few recent direct changes to regulations related to eligibility for minimum wages. In 1993 the Netherlands extended minimum wage protection to those working under 13 hours a week provided they had an employment contract. In the more recent Flexibility and Security Act (1998), protection was further extended by including a presumption that an employment contract existed provided someone had worked for an employer for at least three months each week or for at least 20 hours a month (see box 4.4). More generally some of the new directives or proposed directives covering non standard workers should ensure that workers are not excluded from rights to minimum pay simply on grounds of contractual status.

The movement in Portugal to equalise upwards the minimum wage for domestic workers to that for all other groups represents an extension of coverage of the general labour standard to an important group of low paid, and overwhelmingly female, workers (see box 4.4). In Finland the new regulations on contracted workers have tightened protection for this potentially vulnerable group.

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Box 4.4. Statutory Minimum wages and gender pay equity

In **Ireland** the Minimum Wage Act came into force in April 2000. Changes to the level of the National Minimum Wage are at the discretion of the Minister for Enterprise, Trade and Employment following ‘appropriate consultation’. The minimum wage was introduced at a level of 5.59 euros per hour for experienced adult workers in April 2001, was subsequently raised to 5.97 euros in July 2001 and increased to 6.35 euros per hour in October 2002. A study of the impact of the introduction of the minimum wage involved a follow up survey of firms who had originally been surveyed prior to the
introduction of the minimum wage (Nolan et al 2002). About 5% of employees were said to have received an increase in pay as a direct result of the introduction of the minimum wage and about thirteen per cent of firms said that they had to increase the pay of other employees in order to restore differentials. The large majority - 80% of firms - said that wage trends in the Irish labour market would have pushed wage rates up anyway. Most firms did not have any employees at or below the minimum wage rate. 7.3% of women compared to 2.7% of men were paid at or below the minimum at the time of the study. Figures for young workers, both male and female were particularly stark with up to 50% of under eighteen year olds on or below the minimum. The largest sectors employing women workers at or below the minimum were retailing (12.7%) and hotel/restaurant/bar (17.5%)(Nolan et al 2002). The proportion of part-time women workers at or below the minimum was particularly high in retail (22.9%), wholesale (26.3%), hotel/restaurant/bar (29.2%) and banking/business services (11.4). In some sectors large percentages of women workers were earning just above the minimum, for example 58.9% of part-time women workers in the hotel/restaurant/bar sector were earning just above the minimum level. High percentages of part-time male workers in the textile and clothing, retail and wholesale sectors were also paid close to the minimum wage.

In the United Kingdom the National Minimum Wage was introduced in April 1999 at the relatively low level of £3.60 an hour for those over 21 and £3 an hour for those under 22 (reduced from the initial recommended rate of £3.20). There is no agreed formula for setting the NMW; the government has appointed an independent Low Pay Commission to make recommendations but reserves the right not to follow the recommendations. The NMW was uprated by only 10p for adults in October 2000 and by 20p for young people in June 2000 but in October 2001 the NMW was uprated more substantially – to £4.10 an hour for adults and £3.50p an hour for young people, to be followed by a further 10p increase for both in October 2002. The most up-to-date available assessment of the effects of the NMW only covers the impact up to 2000 and does not cover the higher level of minimum wages introduced towards the end of 2001. Even for these earlier rounds the impact has been favourable for women. The Low Pay Commission (2001) estimates that 1.3 million benefited from the NMW and that 70% of the beneficiaries were women and around two thirds were part-time workers. It was the low paid part-time workers whose earnings rose at the fastest rate between 1998 and 1999. The rather low rate of increase in 1999-2000 meant that there was much less of a favourable impact on low paid workers over the time period 1999 to 2000. Aggregate employment data do not suggest that the minimum wage has had any significant negative effect on numbers employed.

In Portugal there have been efforts to close the gap between the domestic services minimum wage and the general minimum wage. In 1978, when it was introduced it represented only 61.4% of the higher legal minimum wage (non-agriculture). This percentage has been increasing, slowly at first but more sharply in recent years so that by 2001 it had reached 96%. The policy is to continue to set a yearly wage increase for domestic service higher than that for the general minimum wage until they are equalised. This increase of the minimum wage on the domestic work has obvious implications for the gender pay gap as domestic work concerns essentially women. The low relative importance of this sector in overall employment means that there will not be a high quantitative impact but this change will also be important in qualitative terms as it provides a recognition that domestic work has, in its nature, the same value of any other type of work. In this perspective the existence of a unique minimum wage rate is of utmost importance.

In the Netherlands it has been observed that at the present time, there appears to be no public debate at any level on minimum wages as a way of preventing gender pay discrimination, even though such a discussion did occur when the relevant legislation was originally introduced (Grunell, 2002: 4). Some recent changes to regulations may have been beneficial to women: the Flex Security Act in 1999 extended protection to those on casual and flexible contracts by including a presumption that an employment contract existed provided someone had worked for an employer for at least three months each week or for at least 20 hours a month.

Sources:
Barry (2002); Grimshaw et al (2002); Gonzalez (2002); Plantenga and Sjoerdsma (2002)

4.2.2. The level of the minimum wage

Figure 4.1 uses OECD data to show the value of the minimum wage in 2000 relative to full-time median earnings for men and women combined in the member state. These data reveal rather dramatic differences between the nine member states with
The countries appear to divide into three groups; those that set relatively low minima - between 32% and 42% of the median wage in 2000 – namely Spain, Portugal and the UK; those that set minimum wages at between 47 and 51% of median earnings - the Netherlands, Belgium, Luxembourg and Greece - and those setting relatively high minimum earnings - between 56 and 61%, namely Ireland and France. Ireland has rather poor data on wages so this ratio may exaggerate the relative level of the minimum wage in Ireland. The likelihood that this figure is exaggerated is confirmed by the data on the estimated percentage of employees affected by the minimum wage (table 4.3). The share of affected workers shows some correlation with the relative level of the minimum wage, with the highest proportion recorded in Luxembourg and France. The shares in Ireland are somewhat lower than in Portugal and the UK but slightly higher than the Netherlands. Spain stands out as the country where the impact is apparently the least, accounting for less than 1% of the workforce, in line with the very low level of the minimum wage (data on Belgium and Greece not available). Overall the estimates of impact vary from above 13% in France and Luxembourg to under 1% in Spain.

Figure 4.1. Ratio of Minimum Wage to Full-Time Median Wage, 2000

Source: OECD Labour Market Indicators 2001
<table>
<thead>
<tr>
<th>Statutory minimum wage</th>
<th>Level of statutory minimum wage relative to median earnings</th>
<th>Share of all in employment affected by minimum wage/low pay</th>
<th>Share of women affected by minimum wage/low pay</th>
<th>Share of men affected by minimum wage/low pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>0.49</td>
<td>Earnings inequality at bottom end has been stable or improved despite fall in minimum wage</td>
<td>No data on minimum wage recipients but women account for 58% of recipients of minimum income guarantees for those who earn below a minimum level</td>
<td>Men only account for 42% of minimum income guarantee recipients</td>
</tr>
<tr>
<td>Greece</td>
<td>0.51</td>
<td>No data on minimum wage recipients but 16.7% of women in lowest decile of earnings S.E.S.</td>
<td>Only 6.7% men in lowest decile of earnings S.E.S.</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>0.32</td>
<td>Only 1.47% men and 2.85% women paid minimum wage 1990 but has declined further since but proportionately faster for men</td>
<td>1.33% women on minimum wage 2000 55% of total 51% women earn less than 2/3 male median full-time earnings</td>
<td>0.64% men on minimum wage 2000 45% of total 25% earn less than 2/3 male median full-time earnings</td>
</tr>
<tr>
<td>France</td>
<td>0.61</td>
<td>13.9% paid on SMIC July 2001- slight increase over the decade</td>
<td>19.9% women on SMIC 2001</td>
<td>9.9% men on SMIC 2001</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.56</td>
<td>Widening wage inequality as measured by top to lowest decile ratio 1987-1997</td>
<td>7.3% women estimated to have received pay increase as result of NMW</td>
<td>2.7% men estimated to have received pay increase as result of NMW</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.49</td>
<td>Share on minimum wages has declined since 1995 from 6.5% to 5.6% for women and from 3.4% to 3.0% for men.</td>
<td>5.6% women on minimum wage, 10.4% on 110% of a minimum wage - women account for 56% low paid workers</td>
<td>3.0% men on minimum wage, 5.5% on 110% of minimum wage, men account for 44% of low paid workers</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.47</td>
<td>No clear trend on share earning minimum wage</td>
<td>9.3% women earn minimum wage 1998</td>
<td>4.2% men earn minimum wage 1998</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.38</td>
<td>Pay inequality has stabilized in bottom part of labour market since introduction of NMW but continued to rise at top end. 1.3m workers (4-5% of employment) affected by minimum wage</td>
<td>70% of beneficiaries (1.3m) of minimum wage were women</td>
<td>30% of beneficiaries (1.3m) of minimum wage were men</td>
</tr>
</tbody>
</table>

Source: OECD Labour Market Indicators 2001 and national reports
4.2.3 Trends in the level of minimum wages

Figure 4.2 plots the real value of minimum wages during the 1990s. This reveals a remarkable diversity of experience; in three countries- Spain, Greece and the Netherlands - the real value is lower in 2000 than 1990, although in Greece the trend was upward from a low in 1993 and in the Netherlands the real value stabilised from around 1995. In both Spain and the Netherlands the decline in real values in the 1990s continued a decline evident already between 1980 and 1990. In Belgium the real value had fallen by 2000 to around the same level as 1990, having risen by around 3 percentage points up to 1993. In the three remaining countries that have had minimum wages throughout the 1990s- France, Luxembourg and Portugal - there has been a fairly steady upward trend in the real value of the minimum throughout the decade. In France and Luxembourg this represented a further increase in real value over and above a rise from 1980 to 1990 but in Portugal the real value declined between 1980 and 1990 but by 2000 the real value again exceeded the 1980 level.

![Figure 4.2. Real Value of Minimum Wages Over Time (1990 = 100)](image)

Source: OECD Labour Market Indicators Database

When we look at trends in relative earnings - in most cases relative to median full-time earnings - (table 4.4) we find that in five out of the seven countries for which we have data, the relative value of the minimum wage has declined over the decade, by 3 percentage points in Spain to 6 percentage points in Greece. France and Luxembourg are the only countries to maintain or improve on the relative value of the minimum wage. Those countries experiencing downward trends in relative values are not by any means more likely to be those with relatively high values of minimum wages in 1990. Indeed Spain started the decade with the lowest relative value of the minimum wage and saw a decline in both real and relative values over the decade. Portugal also started off with a low relative value in 1990 and saw a further decline but it also, in contrast to Spain, experienced a rise in the real value of the minimum wage, suggesting a strong growth in the real value of median wages over the decade. The relatively high minimum wage has been maintained in France through the operation of a fixed formula with respect to uprating. Belgium in contrast has moved away from
indexation and has not uprated its minimum wage over recent years; however the income distribution continues to narrow suggesting that collective bargaining coverage is adequate to provide alternative protection in Belgium.

<table>
<thead>
<tr>
<th>Table 4.4. Relative Value of Minimum Wages Over time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ratio of Minimum to Median Wage</strong></td>
</tr>
<tr>
<td>Belgium</td>
</tr>
<tr>
<td>Greece</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Luxembourg</td>
</tr>
<tr>
<td>Netherlands</td>
</tr>
<tr>
<td>Portugal</td>
</tr>
</tbody>
</table>

Source: OECD Labour Market Statistics Database

It is more difficult to establish what has been happening to the relative level of minimum wages set under collective bargaining systems. In the 1990s in Italy contractual minima set by national collective bargaining declined in real terms between 1993-96 and rose only slightly in real terms between 1996 and 2001. However, in both periods contractual earnings levels declined relative to actual earnings. In the three Scandinavian countries, although there has also been a move towards more wage dispersion, this has been from a position of relatively high minimum pay levels. Moreover in Finland there has even been a rise in the relative value of minimum wages due to ‘equity supplements’ paid at a time of severe wage restraint imposed by the government in the early 1990s.

In Germany and particularly Austria, as we have already seen (see box 4.3), there has been no such commitment to a high common floor to minimum pay levels and the minima set by the collective agreements vary markedly, with female-dominated segments the least likely to have high minima. In Austria minimum wages rose in relative terms in the 1980s but fell in the 1990s, reflecting a change in trade union policy towards the minimum pay levels. Notably there was no response by either the trade union movement or the government to a call in the 1997 referendum on women’s issues for a substantial rise in the minimum wage. Similarly in Germany the debate over the minimum pay levels has been driven by the agenda of job creation, with an emphasis on lower minimum pay levels. The trade unions have been resisting these policies but have not linked the issue to gender pay discrimination.

4.2.4 Gender differences in the impact of minimum wages

Table 4.3 provides evidence from seven countries on the share of men and women who are paid at or close to the minimum wage. The share of women exceeds that for men in all cases with ratios of 2 to 1 or greater in most cases (the Netherlands and Luxembourg have ratios slightly less than this). However, while there are similarities in the gender ratios of shares affected, we must remember the impact of the minimum wage on the wage systems is very different, with less than 1% of all employees paid the minimum wage in Spain compared to over 13% in France, reflecting the very different levels of minimum wages relative to the average wage. It would not necessarily be correct to conclude that the minimum wage in countries such as Spain has no real impact on the labour market; on the contrary its very low level may have a negative impact on for example earnings in the informal sector and for illegal migrants in particular (Recio 2001) as well as directly impacting upon the level of benefits paid (this being one reason for the low level of minimum wages in Spain.
where a rise in the minimum wage would have implications for public expenditure) (Recio 2001).

4.2.5 Gender mainstreaming policy towards minimum wages and the low paid labour market.

Low pay can be clearly identified as a key factor in the maintenance of the gender pay gap. Moreover the penalties of gender pay discrimination can be expected to be most keenly felt by those who have least bargaining power on the labour market; that is gender interacts in this segment with other elements of disadvantage, such as low education, class or ethnic background. Despite this clear connection between low pay and gender pay inequality, policymakers by and large, at the EU level and in the member states fail to make this link. Instead policy towards low pay has been primarily driven by employment objectives, and by the perceived problem of too high wages at the bottom of the labour market preventing the unemployed ‘pricing themselves back into work’ (OECD 1994). Thus, at the same time as advocating policies to reduce the gender pay gap, policymakers have been concerned to keep down the level of wages in the lowest segments of the labour market to maintain employment opportunities (see box 4.5). There has also been a policy of trying to stimulate the development of low wage jobs. In Germany for example there is an ongoing debate about introducing lower wage levels to stimulate service sector development.

*It seems to be quite complicated to close the existing wage dispersion by closing gaps between sectors. We observe on the contrary an ongoing debate about opening the wage gaps and introducing an even more pronounced “low pay” sector in services and other “simple”/unskilled jobs. Demands for higher pay increases for low paid employees were not very successful, even within the trade unions.(Maier 2002)*

The opposition to these developments has come from the trade union movement but it has not been formulated in terms of its potential effect on the gender pay gap. In other countries one of the main mechanisms adopted has been to reduce social security contributions on low wage jobs and other policies.

The new jobs that are being created, primarily in services, are often not only low paid on an hourly basis, but more importantly offer low weekly or annual earnings as they are often either part-time or irregular. Women have become disproportionately employed in these low paid and non standard jobs, thereby fuelling the gender pay gap (see box 4.5) and potentially increasing rigidities in the low paid segments as those who need a full wage to provide for themselves and dependants are not able to accept part-time or casual work.

**Box 4.5 Policies towards low paid jobs**

In **France** there has been a policy of promoting low skilled jobs. According to O. Chardon (2001), unskilled jobs are developing especially in the tertiary sector (retail and services), in other words, in the bastions of women’s employment. It is, indeed, mainly a matter of childminders, unskilled retail workers and cleaning staff, which have increased most quickly. Thus between 1982 and 2001, the proportion of women in unskilled jobs has increased from 52% to 60%. Moreover, data show that part-time work and all types of casual status have increased in these jobs and this kind of job insecurity is significantly greater for them than for skilled employment – 30% of unskilled employment is part-time (54% of cleaning staff and 49% of childminders), compared with only 12% of “other employees”, who are skilled. Likewise, 17% of jobs are casual amongst the unskilled, compared with 7% of others.
In Finland however the story is rather different. Part-time work is not very widespread and domestic help, for example, accounts for a very small proportion of the labour force. The result is that low paid jobs are not common. The state is subsidising employment by giving support to employers who hire unemployed persons, not by giving relief from statutory employer contributions which would make establishing of low paid jobs easier.

In Ireland forecasts for women’s employment predict further substantial growth up to 2015 of almost 41% (around 250,000 additional women in paid employment) compared to a 15% growth in male employment over the same period (around 150,000 additional male paid employees). Most of this growth is forecast to occur among women workers in services and sales occupations and managers and professional occupations. (FAS/ESRI Manpower Studies 2002). Services and sales occupations comprise a high proportion of low paid employment, and this forecast rise implies a continuation and/or increase in the significant level of low pay among women workers.

Sources: Silvera (2002); Lehto (2002); Barry (2002)

Some governments are beginning to recognise that the problem lies not in the low skills of the workforce but in the low wages provided by the new jobs. In response they are offering inwork benefits as a means of encouraging people to move off benefits and into employment. These policy developments have again not been subjected to gender audits or gender mainstreaming (see box 4.6); indeed there are strong grounds for believing that in some cases these new policies may create both new forms of gender stratification in the labour market and new forms of disincentives to female participation, at least for those in couple households. In the UK the new system of inwork benefits has been designed to encourage either single parent households or one person from a non-employed couple household back into work, but the effects on incentives for participation for the second earner in the household have been ignored, even though the potential disincentive effect has been estimated to be quite high (Rubery and Rake 2000, Rubery 2001). Similarly in France the new employment bonus has been analysed in the context either of a single earner with no children or a couple household with only one earner. This is by no means the standard household in France and the impact on the second earner has not formed part of the debate. With the extension of the system in the UK to couples without children, there is a real likelihood that there will be a new form of stratification in the low paid segments, between those with and those without state subsidies in addition to the wage; the former will include main breadwinners (mainly men in couple households, women in single parent households) and the latter will include second earners, mainly women or young people still living at home. In Belgium there is also a move towards inwork benefits but here the system is supposed to be organised on a more individualised basis than in the UK or France and may therefore avoid some of the gender effects. However, one consequence of this new policy, albeit found as yet only in small number of countries, is that governments have a new impetus to keep up the level of the minimum wage to reduce the tax bill. This could have beneficial effects for women.

Gendering the debate on policy in the low paid segments of the labour market is essential, both to improve the quality of policymaking and to tackle the most unacceptable forms of gender pay discrimination. It is perhaps surprising that there has been little or no development in Europe, in contrast to the US, of new campaigning to improve the minimum wage or to establish the minimum wage as a ‘living wage’. New social movement unionism in the US has been important in both providing better wages for the disadvantaged but also at mobilising women and migrant workers into unions (Johnston 1994, Zabin 2001, Figart et al. 2002).
Box 4.6 In-work benefits and gender equality

In France there is a new measure called the “employment bonus”. This employment bonus increases with pay up to the SMIC level and then decreases and disappears at the level of 1.4 times SMIC. It also varies according to one’s family situation: for a person on SMIC with one dependent child, the bonus is 748 Euros for a full-time job and 404 Euros for a part-time one. This measure concerns up to 10 million employees on low pay. However there has been little assessment of this measure in terms of gender even though this tax measure could have a negative effect on the employment of those women, who are in the most fragile situations. It is revealing that the examples used to assess the effects of this measure on the income of those on low pay – before and after this reform – is based on two cases, namely a single person without children and a couple – one of whom is economically active - with two dependent children. Whereas, in fact, dual earning couples are increasingly frequent amongst those on low pay – but this case is not presented. However, in this case, the positive effect would be smaller and the marginal gain from going back to work (passing from RMI to part-time work) would be negative for the person who is bringing a second income into the household, namely women.

In the United Kingdom there are parallel concerns about the impact of in work benefits on gender equality. The Working Families Tax Credit, a system of inwork benefits for households with children is to be extended to households without children in April 2003. The impact of these developments will be to provide state subsidies to all ‘breadwinners’ who find themselves in low paid jobs, but to allow those who are in multi-earner households- mainly women and young people - to continue to receive low wages without subsidy. In the absence of a national minimum wage, this system of state subsidies could seriously extend low pay and moreover increase the vulnerability of women to receiving much less reward for their efforts than ‘breadwinners’ who take low wage jobs. However, the government is aware that an effective minimum wage policy is essential to ensure that employers do not take advantage of the subsidies available to keep wages low. The government itself estimates that the NMW has saved £75m in WFTC payments, nearly half of the estimated £180m benefits savings from the introduction of the NMW (Low Pay Commission 2001). The potential cost of the inwork benefits scheme could be a factor in persuading governments to uprate the national minimum wage.

In Belgium from 2001, an individual tax credit of a maximum of 396 euros has also been introduced. This is awarded to people earning between 3,718 euros and 12,395 euros, with decreasing advantages between €12,395 and €16,113 (annual earnings). This advantage takes the form of a negative tax on wages. However this system is based on individual not household income.

Sources: Silvera (2002); Grimshaw et al. (2002); Meulders and Sissoko (2002)

4.3 Mainstreaming pay policies at the company or sector level

Gender segregation tends to cut across other dimensions of the wage formation process so that it is not possible simply to talk about wage practices and structures in female-dominated versus male-dominated workplaces. Women tend to be concentrated within the private sector in service sectors and in some specific parts of manufacturing such as textiles and clothing. They may also be more concentrated in the small firm sector. Men in contrast are located more in manufacturing and the non personal end of the services sector. Male-dominated sectors may have experienced some of the most important changes in systems of wage formation, accounting for changes in, for example, the apparent price for skill and for wider variations among workers with comparable characteristics. Women account in most countries for a disproportionate share of public sector employment and it is this sector that may account for more than its share of employment of highly educated women.

However, while each of these sectors may have its own logic and dynamics of wage formation, related to the characteristics of its markets, technologies etc, the system of wage formation may still be influenced by the predominance of women employed in the sector or organisation. We therefore need, in line with the principles of mainstreaming, to examine the system of wage formation for evidence of gendered processes and to consider likely future trends in these sectors and their implications.
for the gender pay gap. To simplify the discussion we divide the analysis between the private and the public sectors.

4.3.1. Wage formation in the private sector.

The problem of wage formation in the private sector for gender equality issues is twofold: the private sector tends to provide both the highest and the lowest paid jobs (Spånt and Gonäs 2002). Men tend to be disproportionately represented in the private sector and women in the public, but even for women in some countries the private sector offers more high paying opportunities. We therefore need to discuss the wage formation system for both high paid and low paid workers.

If we turn to the issue of high pay first, we can observe that even for men the private sector does not offer uniformly high levels of pay, rather wider variation in earnings than in the public sector. The implications, as Spånt and Gonäs (2002) point out, is that if the gender pay gap is to be closed through women becoming more like men, it would be necessary to accept wider inequalities in pay among women than has been the case in the past. Women could be said to be losing out in the additional gains to skill that have been paid in the 1990s and one of the agendas of women may be to achieve more equal remuneration for their skills. However, it is also necessary to question whether the rising returns to skill that men have enjoyed is a desirable or indeed a necessary trend. Such increasing returns are commonly attributed to changes in patterns of demand and supply, but they are also associated with new systems of pay formation that provide opportunities for more individualised payment systems. In Finland, the shortage of IT specialists can be argued to have distorted the pay structure, using differentials to overcome what was more a short term problem of undersupply. Much of the rising returns to skill have come not from the exercise of stronger collective bargaining power but from increased opportunities for individualised bargaining that favours the more powerful and educated groups. While educated women may benefit from this process relative to less educated women, the gender gap in pay is likely to continue to rise. This is in part because individualised bargaining is more likely to reward factors that women are less able to supply, such as commitment to work excessively long hours. Where the terms of the pay bargain are collectively regulated, it is more possible to exclude factors from the reward system with which women are less able or willing to comply, but when rewards are individualised, working above and beyond the hours that are manageable in the context of domestic commitments, can be a source of pay discrimination, justified as reward for effort and productivity. One political issue in determining how to seek to close the gender pay gap must therefore be to determine whether the objective is for women simply to be allowed to follow the upward trend in men’s earnings or whether there should be a move back towards, or the maintenance of, more collective and transparent systems of wage determination.

There are also issues of concern with respect to the lower paying segments of the private sector, where women are often concentrated. Female-dominated sectors may be less well covered by collective agreements (see section 3) or remunerated at lower wage levels including minimum wage levels. Such factors may account for the association between gender-segregated workplaces and wage levels in the adjusted gender pay gap studies (see section 2). In some countries - for example Spain - there has been a spread of collective agreements to the private services sector, thereby reducing the gender disparities in coverage, but in other countries such as the UK the gender disparities have narrowed through a reduction in coverage for male employees. There are several trends in wage formation that may be of concern for the future of the gender pay gap. These include first, as already discussed, the trend towards
decentralisation and more discretion for management in the determination of pay. Second there is the issue of restructuring and subcontracting that may have negative impacts on those groups of staff who are transferred from one sector or segment to another. This has happened for example in banking where telephone banking systems have replaced much of branch-based banking in some countries but at lower wage levels (Rubery et al. 2001a). This type of transfer is affecting female staff in particular. In some countries much of the public sector service work is being transferred to the private sector, with again negative implications for terms and conditions (Grimshaw et al. 2002).

Some countries face specific problems that may not be important in other member states because of differences in social welfare systems. In the UK there is widespread change taking place in the pension systems in the private sector, with many companies either ending their ‘final salary’ pension schemes or closing them to new recruits and switching to so-called money purchase schemes. As these are based on a life insurance basis, this switch is particularly disadvantageous to women who, because of longer life expectancy need a larger fund to purchase the same annuity on retirement as men (Box 4.7).

Another problem for the gender pay gap in the private sector is that many women who work in the private sector may be excluded from the wage data because they are informal sector workers, or involved in family businesses as self employed. These problems are particularly acute in the Southern countries; men may also be excluded but are more likely to be higher remunerated than the marginalized excluded groups of women workers. Informal sector working can be considered to comprise more a continuum at one end of a spectrum than a sharply defined separate segment. The impact of EU legislation in particular is to bring more informal and non standard jobs within the ambit of formal employment sector regulations and to make possible comparisons across the spectrum. Nevertheless there are larger risks attached to working in informal and indeed non standard jobs. In some countries such as the UK the largest risk of low pay attaches to part-time workers, while in other countries there is a much smaller difference in the risks associated with low paid work. Again in some countries there is evidence of wider gender gaps in pay in small rather than large firms, suggesting the more informal pay systems are more open to discrimination. For example in Spain, the female to male pay ratio in 1995 were highest for large firm agreements (76%), agreements for groups of firms (67.2%), and national sectoral agreements (65.2%). The lowest ratio at 62.7% was found for (small) firm agreement (Zarapuz, 2001, Structure of earnings survey cited in Moltó 2002). Decentralisation may increase these risks as more decision-making power is being passed to the owners of small firms.

Box 4.7 Private sector and pensions

In the United Kingdom the rapid movement away from the provision of final salary pension schemes by private sector employers and their replacement with money purchase pension schemes will have a very significant negative impact on all affected employees. While male employees are more likely than female employees to be in occupations offering final salary schemes (as these are positively related to being in full-time and high status employment) the effect of this change has more negative consequences for women as final salary schemes provide the same benefits by gender while money purchase schemes require recipients to purchase an annuity. Discrimination is allowed in the sale of annuities such that a man aged 65 with a fund of £100,000 would be able to purchase an annuity of £6,546.24 per annum while a woman aged 65 with the same fund would only receive £5,682.36 (EOR 2002(106:7)).

Source: Grimshaw et al. (2002)
4.3.2 Wage formation in the public sector

The studies on the adjusted gender pay gap tend to find a positive impact for the public sector on women’s pay. However, in reality the impact of the public sector on the gender gap is likely not only to vary between countries and over time but also to have varying impacts on different groups of women.

The attention within the European employment strategy to monitoring the gender pay gap in the public sector focuses on the internal public sector gender pay gap. Data from the ECHP shows it is only the Netherlands where the gender pay gap is larger in the public than the private sector. In part this smaller gender pay gap reflects differences in composition, particularly the high share of well-educated women in the sector. The gap is particularly small in Italy (negative in fact), Greece, Belgium and Denmark. The data also imply a negative gap in Portugal but these figures have been omitted from the recent Employment in Europe report on grounds of unreliability; however they have been included in the overall measure of the gender pay gap in Portugal can account for the very high ratio in that country, placing Portugal in first position in Europe. The admitted unreliability of the public sector data must place doubt on this result, even though it is the case that the public sector commands a strong pay premium in Portugal and many educated women in particular benefit from this premium. In some countries there has been a tendency towards widening of the internal gender pay gap over recent date; for example Denmark records a widening of the gender pay gap in the municipalities sector, possibly reflecting the impact of the new more individualised wage systems (Emerek 2002).

A more important aspect of the public sector than the internal gender pay gap is its impact on the overall ratio of female to male pay (for the UK case see Grimshaw 2000). Women tend to account for a disproportionate share of public sector employment. Moreover the sector also accounts for a high share of jobs for the more educated women, thereby affecting the returns to education that forms the basis for the adjusted pay gap calculations. The public sector plays a different role in shaping the gender pay gap, dependent in part on the level of development of the economy and the associated pattern of integration of women into the labour market. One of the issues for the gender pay gap in the Scandinavian countries is whether the decreasing and even negative wage premium (for higher level jobs) in the public sector can be attributed to the ‘net advantages’ of working in the public sector where there are better family friendly policies for women.

One explanation for the segregated labour market is that the public sector, where female labour dominates, offers women relatively high wages and lower “care penalty”. Therefore occupational choice is not only a question of tradition but also of rationality. Since labour market segregation can be seen as an explanatory variable for gender pay gaps, women and men’s choice of occupation can also be an important variable. (Spånt and Gonäs 2002)

This explanation for why the gender pay gap has not closed as the level of education of women in Scandinavian begins to outstrip that for men, coexists alongside more critical explanations of the gender pay gap problem. The public sector may also be regarded, as Spant and Gonas also point out, as a monopsonistic employer of both men and women (Spant and Gonas 2002); it uses both its monopsony power in very specific areas of the market- such as education and health- to keep wages down and bolsters this power by offering more favourable working conditions and hours to maintain a ready labour supply. These debates are, however, less relevant in other countries where the pay differential with the private sector for educated women is less
unfavourable and also where there are less well developed family friendly working policies in the public sector. For the Southern countries the problem is not so much the overrepresentation of women within the public sector but in fact the underdevelopment of public sector employment opportunities (see box 4.8).

As public sector pay is strongly influenced by public policy, there is not only scope for decisions to be made on pay systems that favour or otherwise gender equality, but there is also a high risk that trends in pay will be influenced by factors such as macroeconomic conditions and public expenditure restraints. The stability pact is one factor in particular that may be influencing the evolution of pay policy in the public sector, not only rates of pay but also trends towards restructuring and privatisation. While the public sector has had a general positive influence on the pay gap at the economy level, recent trends in a number of countries have seen a decline in relative pay. Finland reports a general decline across the whole of the public sector but particularly concentrated on the municipalities sector. In Ireland the 1990s also saw a decline in pay for public sector workers but there has recently been an attempt to rectify the widened gap between public and private sector pay levels through the 'benchmarking process' resulting in significant pay awards announced for key public sector workers. However, this rectifying of an ‘unfair’ gap has not been done with reference to issues of gender pay inequality (Barry 2002). In many instances pay awards under 'benchmarking' have favoured employees in higher paid occupations and jobs rather than the lower paid, the majority of whom are women.

Another risk for the future of the gender pay gap is the impact of the restructuring of the public sector, involving privatisation and subcontracting to the private sector. Transferred employees usually have protected terms and conditions but new recruits may find themselves on lower wage levels, covered by different collective agreements. Moreover, other aspects of the employment relationship may be changed, even for transferred recruits, including pension entitlements and career prospects (Cooke et al. 2002). The restructuring process has progressed at varying speeds and is by far the most advanced in the UK, where the opportunities for changing terms and conditions are also perhaps the greatest due to the large swathes of the employment system not covered by collective bargaining. This has led to a vigorous trade union campaign against the development of a two tier workforce (box 4.8). Gender pay issues play an interesting role in this development; on the one had successful equal pay cases are creating incentives for public sector employers to contract out work. On the other hand, the government is keen to be seen to be taking some action to reduce the gender pay gap and is considering allowing equal opportunities issues to be part of the decision making on contracting out.

In most of the countries the debate has not yet really started, although many countries are proceeding somewhat cautiously; for example in France the decision has been taken to open up the public sector to private investment while maintaining civil service status for staff in most cases. In many countries the process has so far only affected a few sectors- homecare in Finland, kindergartens in Austria, some ancillary work in Germany- but there has been limited analysis of the impact, particularly from a gender pay perspective. Moreover there are some contradictory tendencies at work: for example in both Greece and the UK the current plans for the public sector involve both restructuring and expansion. The expansionary plans are likely to be beneficial to women both as employees and as consumers of public services, while the restructuring and privatisation policies may have negative impacts on the gender pay gap. Another contradiction is the development of gender pay equality plans and initiatives within the public sector in a number of countries (see below boxes 5.5 and 5.8). These plans need to pay attention to the impact of restructuring but it is not yet
clear whether these issues will be taken on board; instead the plans may focus on improving internal equality while at the same time extending opportunities for externalisation of public service provision. A full development of gender mainstreaming within the public sector should bring these two processes together to examine not only internal gender differences but also the gender implications of the externalisation policy.

Box 4.8 Public sector restructuring and the gender pay gap

In **France** the most recent proposals of the new Raffarin government confirm the objective of opening up capital but have stopped short of mentioning privatisation – the implication is that employees would keep their public status, even if the activity itself becomes competitive. That has not been the case in the Post Office and **France Télécom**, where recruitment is no longer in line with civil service status, but is contractual, and, therefore, affects equal pay. Women occupy most of the jobs and new recruits are offered lower pay and fewer guarantees regarding pay.

In **Greece** the on-going restructuring trends in the public sector are expected to have contradictory effects on the gender pay gap. Privatisation, market liberalisation and contracting out contribute to the widening of the wage structure and greater wage dispersion whereby gender inequality in pay is expected to increase. On the other hand, rapidly growing employment opportunities for women in public education, health and social services – all female-dominated sectors – are beneficial for the closing of the gender pay gap. In 2001 there were also intensive negotiations between the unions of civil servants and government representatives over a new unitary pay frame that is going to be put in effect from 1.1.2003. However it is not yet clear how this new framework will affect the pay gap between women and men in civil service and local government.

In **Finland** the main concern for the gender pay gap is not the question of restructuring but the deterioration of the whole sector, and especially the municipal sector. This began already at the beginning of the 1990s and is still going on. The financing of the public sector has been a target for political attacks and the state has decreased its share. At the same time, municipalities have gained much more independence and producing budgets has also become a political issue within them. The health and social service sectors frequently fail to be allocated the additional resources they need as the population is ageing and becoming increasingly infirm. All this has meant that the wages in this sector have also been left behind. Education and childcare services are hanging on, but there, too, pay levels have stagnated. The privatisation process in the municipal sector has proceeded but, up to now, not very far. It is also too early to say how it has influenced the pay level. Private care firms have to compete with prices. In that sense it is quite obvious that the pay of the staff cannot rise very high.

In the **United Kingdom** there is a major process of restructuring taking place involving not only contracting out but many public/private partnerships based on private financed capital projects, but with implications for employment and terms and conditions for public service workers. The public sector unions have initiated campaigns designed both to maintain public services as far as possible in the public sector and to improve the protection for workers when transferred to the private sector. The campaigns have had some success with respect to the latter objective: the government has proposed that there should be a code of practice governing transfers to the private sector. These codes of practice would offer four significant improvements over the current situation; private sector contractors would be required to offer terms and conditions that were broadly similar to those offered by the public sector, even to workers not protected by regulations on the transfer of undertakings, that is new recruits. Contractors would also be required to offer a pension scheme that was broadly comparable to that provided by the public sector employer and the contractor would have to match employees’ pension contributions up to 6% of earnings or offer a final salary pension scheme. In the NHS a limit would be placed on the proportion of workers transferred to the private sector – no more than 15% - and the unions would be involved in the process of negotiations (continuous dialogue) over public private partnerships and contracting (GMB 2002). However these codes provide no clear mechanism by which the terms would be assessed to be ‘broadly similar’ and the government has not accepted that the systems should be based on terms ‘no less favourable’ than current terms and conditions.

Sources:
Karamessini (2002); Silvera(2002); Lehto (2002); Grimshaw et al. (2002)
5. National policy initiatives and the gender pay gap

While there is a need for gender mainstreaming of general pay policies, there is obviously also a parallel need to develop specific policies designed to close the gender pay gap, and to ensure that this brings a levelling up of women’s pay rather than a levelling down of men’s pay. These specific gender equality initiatives can impact in a range of policy areas, including those designed to address directly pay and grading procedures and practices, those designed to change women’s position within labour market structures (such as positive action programmes aimed at career development) and those designed to change behaviour which may be the cause of negative discrimination for women and positive discrimination for men (such as differences in responsibilities for children or different propensities to take leave or quit the labour market). Our focus will be primarily on the specific actions aimed at changing wage systems and structures but we will also briefly consider the latter two types of policy action as these may be included by member states in their actions to combat gender pay gaps.

5.1. Gender equality initiatives related to pay and grading systems.

There are four types of actions we will review here: legal cases on equal pay, action to change grading systems, the development of gender audits, and actions being taken by trade unions or by other agents in the context of collective bargaining or employee representation.

5.1.1 Legal cases

In most member states, legal cases on equal pay are relatively rare and sometimes they have provided contradictory decisions (see examples from France box 5.1). The UK provides the prime example of a country where equal pay cases have been actively pursued by the trade unions, particularly in the public sector. These equal pay cases have been important in placing pressure on public sector employers in particular to introduce single pay spines, based on gender sensitive job evaluation, in the public sector. However, they have also been at least partially responsible for the keen interest in contracting out in the British public sector, as a means of reducing costs and limiting equal value claims. However, the potential for contracting out to be used to evade equal pay legislation has been strongly highlighted by the unions in their campaigns against a two-tier workforce and the Kingsmill review (2001), which was set up to suggest ways of closing the gender pay gap, recommended to the government that transferred staff and new recruits to contractors should have their pay and grading preserved if their jobs had been evaluated according to gender sensitive criteria. The government has not responded to this part of the Kingsmill report (see box 5.2) but the issue of equal pay has emerged as one of the main arguments by trade unions against the policy of fragmenting public sector services and contracting out (see box 4.8 above).

The equal pay cases in the UK have not only raised issues relating to job grading but have also highlighted potential discrimination from new payments systems (see box 5.1). Ireland is another member state where there has been some active use of legal remedies by individual trade unions and by the Irish Congress of Trade Unions (ICTU). The ICTU plans to take this process further. According to Barry (2002), ‘a key element of ICTU policy at present is to achieve legislative change to allow ‘class actions’ to be taken under equality legislation.’
In the Netherlands the Commission of Equal Treatment (Commissie gelijke behandeling) provides a quasi-legal means of investigating complaints over equal pay, involving direct and indirect discrimination. In 2000 the Commission reached a verdict 101 times, 51 related to gender, based on complaints by citizens. The decisions are not binding but, according to Plantenga and Sjoerdsma (2002), ‘they do serve as a basis for governmental polices and actions.’ The Commission came to a famous decision on the discriminatory effects of new payments systems that provided transitional arrangements for older service staff over a long period of time. This has similarities to the decision reached in the UK on the payment system in ACAS also described in box 5.1.

Box 5.1 Equal pay cases

In France there have been a number of cases with respect to equal pay for work of equal value but the outcomes have been contradictory. In the case concerning USAI Champignons versus Douarre and Daudel (Cass Soc 12 – 02 – 1997), the court of cassation condemned an employer, who justified higher pay for men, because their work required more physical force and was more difficult than women’s work. The court considered that “jobs that are different, but interlinked, can have the same value”. However, a decision of 28 – 06 – 2000 supported an employer (Gaumont versus Bull) by accepting that different pay could be justified by “relational difficulties and technical shortcomings”.

In the Netherlands there is a now rather famous case of the so-called ‘Hossers’, referring to the unequal payment of men and women in secondary education. In 1985, the Restructuring Educational Salaries (herstructurering onderwijsschalen) was introduced. This meant a real deterioration of wages for persons entering (or re-entering) the educational system as a teacher. At the same time a so-called transitional provision (overgangsrecht) was introduced, stating that this deterioration did not apply to employees who already had a job as a teachers and were likely to have a higher salary in 2000. Given the fact that after 1985 the number of female new (or re-entering) employees grew rather rapidly, this transitional provision resulted in a large wage difference between employees who were working before 1985 in secondary education (with a relatively low share of women) and the employees who entered secondary teaching after 1985 (with a relative high share of women). The wage difference could amount to more than 1000 Euro per month and could last until retirement age with repercussions for the pension level. In 2000 there were 2.5 times as many men than women to whom the transitional provision applied. The commission for Equal Treatment stated that this was gross violation of the Equal treatment Act, in particular because of the duration of the inequality that may amount to several decades. Especially the ministry of education, together with the social partners, were held responsible because they determine the financial framework and negotiate the terms of employment.

In the United Kingdom equal pay cases are perhaps beginning to be taken more seriously by employers, if only because the size of payouts to successful claimants has risen significantly due to the lifting of an upper limit on the size of payouts. This has particularly serious implications in the public sector. In general, some of the new initiatives in the public sector may have been induced by the increasing number of successful and expensive equal pay cases launched by the trade unions against primarily public sector employers. Moreover the rulings in equal pay cases establish new case law and in some cases are extending the scope of equal pay claims. Important new cases over recent data have, for example, established that the new performance-related payments systems in the civil service could be discriminatory. Employees in one part of the civil service-ACAS- won their case that the replacement of the seniority scheme with a performance scheme was discriminatory as under the latter scheme it could take up to forty years to reach the top of the pay scale, while those –mainly men– who had reached the top of the pay scale under the previous system had had their pay levels preserved when the new scheme was introduced (EOR 2002 (104:2)). Similar rulings could affect the legitimacy of performance pay schemes throughout the civil service. Another case (South Ayrshire v. Martin) established that it might be possible to choose comparators employed by other employers where it was possible to make a case that the comparator was part of the same service (in this case the service of providing education in Scotland) (EOR 2002 (103:2)). This ruling begins to extend the scope of equal pay comparison beyond the single employer. Another case against Warwickshire County Council found that bonus schemes that were applied to primarily male groups of workers (gardeners, road workers) but not to the primarily female groups of cleaners, catering workers etc were not legal.

Sources:
Silvera (2002); Plantenga and Sjoerdsma (2002); Grimshaw et al (2002)
Box 5.2. Summary of recommendations on equal pay from Kingsmill review (United Kingdom)

i. Government to set up an inquiry to consider case for inclusion of human capital management information, including information on women’s employment and pay, as part of proposed mandatory Operating and Financial Reviews (OFRs) as part of reform of company law and reporting standards.

ii. Public sector bodies to be asked to report similar information on human capital management in their annual reports.

iii. Private sector organizations to be encouraged to conduct employment and pay reviews into all aspects of women’s employment by the time of introduction of OFRs.

iv. All public sector bodies to be required to undertake pay and employment reviews.

v. The government to monitor progress with pay and reviews in the private sector with a view to considering the need for legislation for laggards at a later date.

vi. Where public services contracted out for first time or contracts due for renewal, and where clear comparators for contracted services are retained by the public sector, bidders to demonstrate that they will offer the terms and conditions prevailing previously where these have been established through a pay review or job evaluation.

vii. Government to seek to establish a new academic centre of excellence, for research on all aspects of women’s careers and labour market prospects.

viii. An identifiable element of the appraisal and remuneration of senior board level members of government departments and other public bodies to be linked to achievement of stated diversity objectives.

ix. Women’s employment and pay issues to be included in the ‘Investors in People’ training standards.

x. The government to consider giving right for employees to request confirmation that he or she is receiving equal pay with a named colleague.

xi. Training tax credits to be introduced for employers who provide training for lower paid workers to enable them to move to higher paid jobs.

xii. Training tax credits to be introduced for employers who recruit and train women who would otherwise be unemployed or on low earnings in jobs where they are seriously underrepresented.

xiii. The government to convene a group of experts to consider how research into the earnings gap between part-time and full-time workers should be investigated.

xiv. The government to monitor the restructuring of tax and National Insurance contributions to ensure that they are not leading to the creation of jobs just below the NIC/tax limit and to monitor the take up of stakeholder pensions for the emergence of a gender gap.

At the launch of the Kingsmill review, the government pointed to the number of measures it was taking with respect to equal pay. However, according to Equal Opportunities Review (2002: 102: 2) no actual new measures were announced and many of the more interventionist recommendations were not responded to. The measures that had already been announced which were repeated at the launch included:

i. Allowing groups of workers to make a single pay claim (not addressed in Kingsmill).

ii. Introducing a new questionnaire to allow women to obtain key information from an employer when deciding whether to bring a equal pay case (close to recommendation x by Kingsmill but designed to reduce number of cases brought).

iii. Training TU officials – 500 - to carry out company equal pay reviews (supportive of Kingsmill recommendation iii).

iv. Castle awards for companies - supportive of Kingsmill recommendation iii.

v. Creation of fair pay champions to publicly promote the benefits of equality –supportive of Kingsmill recommendation iii.

vi. Government departments and agencies to review pay systems by April 2003 and to prepare action plans to reduce any gender pay gaps - similar to Kingsmill recommendation iv.

Sources:
Grimshaw et al. (2002)
5.1.2 Pay and grading systems

Closing of the gender pay gap is unlikely to be achieved through changes in the behaviour and characteristics of women; instead there is a need to change the system of grading and rewarding jobs, to reduce and eventually eliminate the undervaluation of women’s work embedded in the conventional grading and reward levels attached to female-dominated jobs. The requirement to subject conventional grading systems to review and to develop more gender sensitive or gender sensitive grading systems has been widely recognised across a number of European member states and has led in many cases to new initiatives to change grading structures or to develop pilot projects or new evaluation schemes to encourage this development (see box 5.3 and appendix table 4). As this is not a new insight, and efforts aimed at changing grading structures have been in process for some time, the issue that now needs to be addressed is why there has been apparently little progress in this regard.

The first problem is that there are major differences in the development of the analysis of equal pay issues between member states, so that although those concerned with equal pay issues are aware of the job grading issues, there is no general awareness or interest in these issues among policymakers or social partners. This problem still applies for example in Italy

‘Moreover, the debate on comparable worth, which has flourished in other countries, has not even begun in Italy. In particular, trade unions have never considered challenging the existing structure of pay in order to correct residual gender biases in the pay determination system. Women are perceived to be low paid because of their occupational position in the labour market, and not because of undervaluation of their jobs. De-segregation (through positive actions at the workplace) is thus proposed as the appropriate solution.’ (Villa 2002)

However, there is also rather limited progress in changing grading structures even in those countries where the debate has at least begun. Several factors have been identified to explain the lack of progress. In Finland where the negotiations of the new structures have been in the hand of the social partners the problem of women’s relative lack of bargaining strength has prevented, apparently, any major breakthroughs (see box 5.3). Similarly in Germany the metal workers’ union failed to push for a new evaluation of female-type jobs within its negotiations for a new wage structure, despite considerable work on this issue having been developed by the women’s branch of the union (see box 5.3 and appendix table 4). In the end this issue disappeared from the negotiations as the dominant male group was not sufficiently committed to change. In Austria there is again limited interest or commitment from the trade unions to introduce more gender sensitive grading, but there are also real fears that such a policy could undermine trade union influence over wage setting. The women’s secretary of Austria’s Union of Salaried Employees (GPA) considered that extreme caution would be necessary for the implementation of new work evaluation systems.

“Of central importance for non-discriminatory work evaluation is the weighting of the features. There is a danger of collective agreements being undermined, as the selection and weighting of criteria depends on the interests behind. Such pay policy decisions are often used to re-establish old hierarchies.” (Kromus 2002) (cited in Mairhuber 2002)
Another problem has been identified in Sweden where there is more public consciousness of equal pay issues and that is the natural tendency for employers to be defensive and their unwillingness ‘to confess that they have violated the Swedish Act against wage discrimination.’ (Spånt and Gonäs 2002)

Further restrictions on progress with gender analysis of pay grading systems include the limitation of comparisons to occupations within the same employing organizations. This restriction prevents the establishment of equal value comparisons between organizations and may even prevent any case being made by women workers in organizations with no relevant male comparators.

Finally there is the problem that job grading has become a less important part of total remuneration, as an increasing share of the pay package is related to appraisal of individual characteristics. There is a need, therefore, not just to address job demands but also the evaluation of individual performance. These problems are particularly acute in, for example, Denmark where there has been a marked trend towards highly individualized wage determination (see box 5.4). In the Netherlands a recent study suggests that 9% more men than women are receiving flexible pay, largely as a result of these schemes being more available in male-dominated occupations (Plantenga and Sjoerdsma 2002). Similar reasons account for men’s higher share of performance-related pay in Finland. In Spain differences in supplementary payments have been calculated to account for nearly half of the gender pay gap (Moltó 2002) (see box 5.4). Therefore gender pay initiatives have to pay attention to the availability of pay supplements and not just the degree of gender equality in their implementation within the same occupation or organization.

Despite these very real obstacles, there are nevertheless new initiatives and evidence of potential progress in some countries and some employment areas. Of particular note is the trend towards revaluation of job gradings within the public sector (for example in the UK and Germany—see box 5.3). In Greece a new unitary pay scale is being negotiated but its implications for gender equality are still not known. However in Ireland a major effort to change public sector pay differentials vis-à-vis private sector earnings failed to address the gender issues in the valuation of public sector jobs. There are also efforts being made to develop new job grading tools (see box 5.3 for example from the Netherlands) and to implement new schemes based on pilot projects and the training of trade union officials (see box 5.3 for examples from Ireland and Austria). These efforts at developing new pay grading structures are being complemented in some countries by new efforts to encourage gender pay audits and action plans at the level of the organisation or new approaches to equality bargaining in collective agreements, as we document below.

Box 5.3 Efforts at changing pay grading systems

In Germany trade unions have been challenging the job evaluation and assessment schemes embedded in collective agreements that tend to favour male-dominated job-values and a male employment biography (for example better terms for those on leave for national service than for maternity). It was the former Public Services, Transport and Traffic Union (ÖTV – succeed now by VER.DI – Unified Service Union) that was particularly active in this respect. In 1997 a study on behalf of the union found that the collective agreement for white collar workers in the public sector contained various job descriptions which obviously discriminate against certain jobs, often held by women. The trade union set up an “upgrading commission” to elaborate concrete proposals for gender fair job evaluation, using other techniques than actually used. An actual study analysed very closely female and male dominated jobs in the public sector and develops a new classification/grading system (Krell et al 2001). The Government has decided to negotiate the BAT on a gender sensitive level in the years to come – but this will be a complicated task as the negotiations involve all levels of the Federal system (federal, regional and local level) and in a time of declining public finance. Other sectoral trade unions, like the
IG Metall, supported studies which analysed the collectively agreed job evaluation systems (see for example Tondorf 2002). The collective bargaining partners in the metal industry have been negotiating for several years on a modernization of the job value system, including for example a joint agreement/assessment for white and blue collar workers. Within this context, IG Metall women’s group demanded a reassessment of various job groups, included jobs dominated by female employees and the introduction of a gender sensitive assessment system. Within the ongoing negotiations this demand has disappeared as the male partners in the bargaining group do not care about these aspects. It is complicated to include these questions in a bargaining process in which both partners are proud on their tradition of “family-wages”.

In the United Kingdom there is a recognition of the need to introduce single pay spines within public sector organizations to address issues of equal value. However, the implementation of such schemes has not proved to be very straightforward. The pay spine agreed by local authorities in the late 1990s has still not been fully implemented and the newly set up Local Government Commission on pay will have to return to this issue. In the National Health Service there is a proposal to introduce a new national pay scale based on three integrated pay spines in the health sector (for doctors, nurses and professions allied to health and other workers) and to develop a national job evaluation scheme. However, the implementation of this scheme may yet prove too difficult, given the tradition of different bargaining groups and wage determination procedures for different types and levels of staff.

Since 1999 the government in Belgium has been considering revising the function classification systems. A project cofinanced with the European Social Funds is in process and aims at the implementation of universal classification system, analytical and neutral in gender term. The social partners have also agreed in the intersectoral agreement 1999-2000 and 2001-2002 to progress to a gender sensitive classification system. Tax measures will be used to encourage firms to adopt these systems. Moreover the social partners have written a brochure to serve as a tool for the implementation of a gender sensitive classification system. In 2002, the gender impact of an analytical classification system in a sector already using such a system (catering, food, clothing and textile industry and international trade employees) will be studied. Finally a feasibility study will be implemented for the adoption of an analytical system concerning employees, managers as well as blue collar. To support this initiative the National Employment Council in 2001 set up a specialised committee to inform and to make the social partners aware of the initiatives taken to make classification systems more gender sensitive as well as to feedback opinion to and to assist the joint committees.

In Finland the strategy of equal value of work that made its breakthrough in the USA and Canada in the 1980s has since then spread to other countries such as Finland. However, unlike in the USA and Canada, where legislation has been used as the tool for implementing the strategy of work of equal value, labour market organisations have had the key role in this respect in Finland. These organisations have also exploited the incomes policy system to improve the position of women in lowly paid jobs. By introducing so-called equality supplements, economic and incomes policy agreements have aimed to diminish the inferior pay development in lowly paid female-dominated fields (Yli-Pietilä 1992). As a whole, studies have shown that agreements have a decisive role in the gendered division of work appreciation, pay and employment conditions in Finland (Martikainen 1989, 1992). Job evaluation has been of interest to labour market partners since the beginning of the 1990s. The problem is that so far this work does not seem to have achieved any good results. Obviously, it is very difficult to create common measurements for the valuation of work and the job valuation systems have originally been developed to reflect men’s work. That is why technical competence and leading tasks have traditionally been most highly evaluated while it would be more in women’s interest to get appreciation for social skills and achieved education. However, within the current negotiations there is quite a struggle for evaluation points and in this struggle, as in job valuation in general, those who are the strongest are still the winners.

In Austria in 2000, the Federal Ministry of Economic Affairs and Labour commissioned a research project to examine the system of non-discriminatory work evaluation and work organisation tested in two institutions (an Austrian bank and an Austrian charity). One of the positive effects of the project is that the charity decided to fully implement non-discriminatory work evaluation after the project was completed (Meggeneder/Ranftl 2002:114). In addition, Austrian trade unions are considering the introduction of additional criteria for the collective agreement for industrial wages, expected to lead to fairer evaluation and thus a reduction of the gender pay gap.

In Denmark the Ministry of Labour in autumn 1999 arranged 3 conferences on equal pay and published 3 booklets on the subject of the gender pay gap: gender and prestige (Udsen 1999), new gender sensitive wage systems (Udsen and Petersen 1999a) and job evaluation as a tool for equal pay (Udsen and Petersen 1999b).
In the **Netherlands** an instrument to assess the gender sensibility of job-evaluation systems has been developed in cooperation with social partners, system holders and the Commission for Equal Treatment. System designers are asked to utilize the instrument, in order to realize gender-sensitive job evaluation systems and to ensure equal pay for work of equal value. This instrument will be applied on a voluntary basis and evaluation will follow in 2003 (Veldman, 2000).

In **Ireland** under the Equality for Women Initiative, funded by the Department of Justice, Equality and Law Reform, a number of projects focusing on gender equality on the labour market and the gender pay gap have been funded, under a total budget of 29 million euros. The largest of these is the Gender and Pay Project of the Irish Congress of Trade Unions, under which the trade union congress is being funded to carry out activities addressing the gender pay gap under a number of themes, including awareness of the gender pay gap, job evaluation skills and resources, training of trade union officials and vocational training. To a large extent these are pilot once-off projects which in order to have longer term impact will need to have their findings and outcomes applied on a wider scale to ensure effectiveness.

Sources: Maier (2002); Grimshaw et al (2002); Meulders and Sissoko (2002); Lehto (2002); Mairhuber (2002); Emerek(2002); Plantenga and Sjoerdema (2002); Barry (2002)

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<th>Box 5.4- Flexible pay/pay supplements</th>
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<td>In <strong>Finland</strong> the introduction of performance-based pay systems has been a subject of lively debate in recent years. The systems have been implemented even in service and public sector fields, although assessing and measuring the results in these fields is much more difficult than in manufacturing or production work. Figure 5.1 indicates, however, that pay systems based on performance were less in use in autumn 1997 than in 1990. The reason may either be that the number of these extra incentive systems had to be pruned down due to the recession or that the actual assessment of productivity proved more difficult than anticipated. The fact that the use of performance-based pay systems is less widespread in the public sector, i.e. central government (16%) and municipalities (8%), than in the private sector would certainly indicate towards the latter reason. With regard to gender pay differentials, performance-based bonuses have obviously not played a significant role in the 1990s. As recently as in the 1990 Quality of Work Life Survey it looked as though the pay differentials were increasing at workplaces where performance-based award systems had been introduced. Highly educated men, particularly, seemed to benefit from the new forms of awarding. (Lehto 1992, 82–83.) Now that according to the 1997 Quality of Work Life Survey performance-based pay systems are rarer than at the turn of the decade, they seem to have lost their impact on the gender pay differential. The only remaining difference is that at men's workplaces performance-based awarding has remained as common as previously, at the workplace of every fourth employee. With women, this type of rewarding has grown less frequent.</td>
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![Figure 4. Productivity-based pay awards](image)

In **Spain**, there is a slow increase in the share of earnings accounted for by the variable, as compared to the fixed component, although the variable part is still relatively small. Only a relatively small percentage of employees are subject to clauses with incentives related to productivity (27.2% of collective agreements affecting 22.1% of employees in 2001) (CES, 2002: 416). However, gender differences can be observed in the composition of the average gross monthly pay: in 1995 the distribution between ordinary and extraordinary components of wages was 80%-20% for both women and men but within the ordinary pay, there was a different proportion of basic pay and supplements, at 60%-20% for women and 50%-30% for men (Zarapuz, 2001). The overall gender pay ratio of gross monthly pay was 69% in 1995, according to the Structure of Earnings Survey, but would be higher at
81.4% if only the basic component of wages were compared. The ratio of the extraordinary payments component was also slightly higher at 70.6% but the gender pay ratio is much lower for the supplements and overtime payment at only 27.9%. Indeed despite the fact that the supplementary part of the wage only represents between 20 and 30% of the average wage, nearly a half of the gender pay gap is due to this supplementary component. Differences in basic pay contribute a further 30% to the gender pay gap, differences in extraordinary payments 18% and finally overtime payments 3%. Supplementary payments include seniority pay as well as components related to the characteristics of the job (dangerous hazard, toxic job, painful tasks, night working, functional polyvalency, etc.). The latter supplements tend to be associated more with male than with female jobs.

In Denmark there are three types of payment systems: normalløn - the traditional standard-wage, minimalløn - minimum-wage, and mindsteløn - minimum-pay. In the standard-wage system, the rates indicate the actual pay under the collective agreement period, and the pay is supplemented only by agreed increases. In the minimum-wage system, by contrast, the rates represent no more than a basis ("floor") and are intended to be used only for very young or inexperienced employees. The pay for other employees covered by the same collective agreement also includes a personal pay supplement, which in principle is negotiated individually between the employer and each employee on the basis of qualifications, training, length of service, degree of responsibility, etc. Under the minimum-wage system there is a presumption that pay will be negotiated locally while the collective agreement is in force, which allows adjustments in pay during the agreement period. In practice, these adjustments are often negotiated collectively with the co-operation of the workplace union representative. The standard-wage system is used mainly in the public sector, though the New Wage with personal supplements is slowly being implemented, and among unskilled and low-paid employees, while the minimum-wage system is typically used among highly paid and skilled employees in the private sector. Alongside these traditional standard-wage and minimum-wage systems, the minimum-pay system has been introduced in recent years. Under the minimum-pay system there is in principle no collectively agreed basic rate, it is a pure personal pay. The pay is negotiated at local level with the relevant collective agreement merely establishing a "safety net" in the form of a minimum hourly rate and sometimes not even a minimum rate. For example the actual pay is not necessarily based on individual negotiation taking the employee’s qualifications, length of service, training, etc. as a starting point (as is the case under the minimum-wage system). In recent years the minimum-pay is increasingly displacing the other two payment systems. It now covers the majority of employees in the private sector.

In Sweden a recent study (Hultin 2001) shows how gender-differentiated access to organizational power structures affect wage-discrimination. That is, how the presence of female executives contributes positively on women’s wages and that the negative effect of male executives on female wages is particularly strong where decentralized wage-setting procedures are found.

Sources: Lehto (2002); Molto (2002); Emerek (2002); Spånt and Gonäs (2002);

5.1.3 Equality audits/ gender equality plans

Proposals for voluntary or compulsory gender pay audits or gender equality action plans implemented at the organisation level have become part of the set of tools and measures recommended for closing the gender pay gap. However, there is as yet little information on the likely impact of such audits, even if they were to be universally and effectively implemented. Sweden and Finland currently have apparently compulsory requirements for gender equality plans but in Finland, as yet, these have only been patchily implemented and in Sweden it is felt that it is too early to be clear about their actual practical outcome (see box 5.5). However Sweden has backed up its gender audit plans by requirements for employers to make available data on the gender distribution of rewards. Denmark had introduced a similar bill prior to the change of government, but now the requirement to make public wage structures by gender has been postponed. In other countries the development of gender audits is relying on voluntary cooperation of employers. In Germany there was a proposal for these audits to be made compulsory but finally the system has been introduced on a voluntary basis due to employer opposition to compulsion. In the UK the EOC proposed compulsory gender pay audits but this was immediately rejected by the government. It set up another enquiry that proposed compulsory audits in the public
sector and the introduction of compulsory reporting requirements under company law in the private sector. Again the government has so far done nothing to make gender auditing, or reporting, compulsory in the private sector but it is requiring public sector organisations to undertake gender audits and is facilitating the process of individualised claims by introducing a new questionnaire to allow individuals to obtain information on the pay of potential comparators. A system of ‘fair pay champions’ in the private sector has been set up, to establish good practice and to develop gender audits on a voluntary basis. In the Netherlands there are new tools being developed to provide a ‘quick scan’ of pay systems at the organisation level for gender pay issues and research is being focused on gender pay gaps at the organisation level and measures that could be used to overcome these problems (see box 5.5).

The renewed interest in gender pay audits at the organisation level has reintroduced the role of the employer and the design and implementation of pay systems as factors in the generation of gender pay gaps. However, the focus on the individual organisation directs attention away from the overall system of wage formation and the extent of equal pay for work of equal value between organisations. As organisations become more fragmented and subcontracting increases, the focus on the individual organisation may become even more problematical (Earnshaw et al. 2002). Moreover, for audits to be effective at closing the gender pay gap, even at the micro level, attention may need to be paid to organisational power; research in Sweden does suggest that such practices as gender audits may have more impact on pay where women actually have organisational power within the company and are therefore able to influence the implementation of the audit and remedial measures.

Box 5.5 Gender pay audits/action plans

In **Sweden** the Equal Opportunities Act requires employers to take active measures to promote gender equality. Recently there have been some amendments to the Act in regards to desegregation/positive action and pay in order to find new ways of achieving gender equality in working life. Annual revisions of wages and other working conditions have become compulsory. This means that all employers must inspect and analyse wages and other terms of employment for comparable groups of women and men. Employees must analyse whether or not wage differences may be related to gender. They are obliged to establish an action plan for equal wages, which should include the results from the analysis of differences as well as suggested measures. Not only wages are to be analysed. Rules and other practices should also be included, such as collective agreements, bonus systems, education and different privileges. If unjust wage differences are found, the employer has to make plans for eliminating these wage gaps between women and men. The plan has to be fulfilled in a three-year time. It is probably too soon to say whether the system with action plans have affected wage discrimination. One can say that wage differences have not declined. Instead, figures presented by Statistics Sweden show the opposite. The reasons for this are of course difficult to determine.

In **Finland** one good tool for evaluating the gender wage differential could be Equality Plans which in principle should be carried out in every work organization with more than 30 employees. This is stated in the Equality Act. Equality Plans would make wage differentials more transparent, when the distribution of male and female wages are presented in public documents. A big problem is that in practice these Equality Plans only exist in a very small number of organisations.

In **Denmark** the former minister for equality put forward a bill proposing that enterprises should provide gender-disaggregated wage statistics and a ban on wage-confidentiality. The Act on Enterprise-based Wage Statistics disaggregated by gender was adopted in June 2001. The Minister of Employment in the new government has however submitted an amendment proposal which temporarily postpones this act on the grounds of administrative problems. The minister argues that this will have no consequences for equality, as there are alternative ways of ensuring equal pay. The minister calls on the social partners to find these alternative ways and solutions.
In the Netherlands a grant was awarded to the Equal Treatment Commission to fund the development of a quick scan method that can be used to provide ready insights into the pay structures of individual companies. The development of the instrument will be reported on during 2002. There is also a policy of stimulating micro-economic research into wage structures to help determine whether unjustified wage differentials occur at the company level. Social partners in particular have urged for a different methodology, focusing more on the micro (company) level. This research is currently underway and the first pilot (conducted in three organizations) is scheduled for October 2002. This pilot is also intended to develop a scientifically sound research methodology to study equal pay on a company level. In order to accomplish this, men and women will be compared pair wise. It still has to be decided if and in which form this research will be continued on a national level.

In Germany in 2000 the government proposed a draft bill on “equal opportunities in the private sector” which should encourage companies to introduce the principle of gender mainstreaming and to develop concrete proposals for achieving equal pay at the firm level. Since the German employers’ association strongly opposed such a law, the Government and the employer’s association finally signed an agreement according to which the ideas of the draft bill should be introduced on a voluntarily basis. The newly elected government has to evaluate the outcome of the agreement in 2003 and must decide again what to do.

Sources:
Spånt and Gonäs (2002); Lehto (2002); Emerek (2002); Plantenga. and Sjoerdsma (2002); Maier (2002)

5.1.4 Trade unions, works councils and collective bargaining

The active involvement of trade unions, works councils or the machinery of collective negotiation in the pursuit of equal pay is undoubtedly a prerequisite for the successful implementation of a gender pay equality policy. While much can be made of how trade unions and collective bargaining institutions have provided resistance to the pursuit of equal pay, it will not be through a move towards management determined pay structures that gender pay equality will be achieved. Mobilisation of the social partners is essential therefore for the desired objective. In some countries the unions have begun to play an important independent role in pursuing equal pay issues while in others there has been continued resistance; these differences may reflect varying political positions and strengths. For example, in the UK the unions may have utilised the legislation on equal pay to challenge government policy but they have done so from a position of weakness. In Germany the unions may be more reluctant to take up the equal pay issue as they see this as requiring them to give up some of their strengths in the collective bargaining process, including their insistence that wage levels in male dominated sectors should provide for a ‘family wage’ (Maier 2002). In France there has been relatively little sign that unions on their own would be willing to pursue equality issues. This led the previous French government to enact a new law requiring there to be bargaining on equality issues (see box 5.6); this could have major implications for gender pay issues but it is too soon to identify the actual impact.

Changes to collective bargaining arrangements have led to some greater awareness of gender issues in collective bargaining forums. Appendix table 5 documents the initiatives taken in collective bargaining according to a study for the European Industrial Relations Observatory. In several cases these initiatives have involved changes in the relationships between the government and social partners. In Belgium there has been an enhanced role for federal level negotiations as the government has sought to control the macroeconomic implications of wage bargaining; this has led indirectly to the government introducing some issues relating to equality into the national bargaining agendas, including issues of job regrading and reconciliation of work and family life. In Ireland (see box 5.9 and appendix table 5) the inclusion of non traditional social partners in national negotiations- including some associated with gender equality issues- has begun to raise awareness of gender issues in the
national bargaining forum but so far this influence has only resulted in the development of much needed research into the gender pay gap. In the Netherlands the new national action plan on gender equality has been promoted by the government but within a framework where it is made clear that much of the responsibility for the implementation of the plan lies with the social partners and works councils.

There has been some progress in equal opportunities issues being taken up within the collective bargaining agenda. For example, in Spain collective agreements have traditionally lacked content but over the past decade there have been moves to extend and deepen the process of collective bargaining; this has resulted in a spread of equal opportunities clauses and issues within collective agreements (see table 5.1). There is little evidence of activity at the level of works councils, however, and in a number of countries there are now actions to encourage works councils to take up the issues. In the Netherlands the national action plan on gender equality includes an attempt to get the topic of equal pay onto the agenda of the works councils. A project is to be conducted, involving social partners and the Commission on Equal Treatment, to inform works councils on equal pay issues, and raise their interest. In Austria the Labour Constitution Act was amended in 1999 to explicitly integrate works councils into positive action for women. In France there are new measures to improve the representation of women in workplace elections which it is hoped could affect the way in which complaints regarding unequal pay are treated. Representation of women within trade unions is a more general issue; as Traxler (2001- citred in Mairhuber 2002) points out, the amendment to the Austrian Labour constitution is only likely to be effective if women participate more in works councils than they have done in the past. Within Austrian trade unions women’s representation has been rising and the work of the women’s group has become more focused on equal pay but still there are problems in actually changing policy (see box 5.7).

Table 5.1: Spain - Agreements including Equal Opportunities clauses (EOC), Employees covered by EOC, Agreements and Employees covered.

<table>
<thead>
<tr>
<th></th>
<th>1993*</th>
<th>1994</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EOC Agreements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm level</td>
<td>258</td>
<td>354</td>
<td>432</td>
</tr>
<tr>
<td>Other level</td>
<td>119</td>
<td>152</td>
<td>236</td>
</tr>
<tr>
<td>All levels</td>
<td>377</td>
<td>506</td>
<td>668</td>
</tr>
<tr>
<td><strong>EOC Employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm level</td>
<td>207571</td>
<td>215621</td>
<td>258306</td>
</tr>
<tr>
<td>Other level</td>
<td>1094529</td>
<td>1457901</td>
<td>2828016</td>
</tr>
<tr>
<td>All levels</td>
<td>1302100</td>
<td>1673522</td>
<td>3086322</td>
</tr>
<tr>
<td><strong>Total Agreements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm level</td>
<td>2241</td>
<td>2970</td>
<td>3318</td>
</tr>
<tr>
<td>Other level</td>
<td>954</td>
<td>1339</td>
<td>1265</td>
</tr>
<tr>
<td>All levels</td>
<td>3195</td>
<td>4309</td>
<td>4583</td>
</tr>
<tr>
<td><strong>Total employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm level</td>
<td>667718</td>
<td>855561</td>
<td>954773</td>
</tr>
<tr>
<td>Other level</td>
<td>3367101</td>
<td>6045428</td>
<td>7668221</td>
</tr>
<tr>
<td>All levels</td>
<td>4034819</td>
<td>6900989</td>
<td>8622994</td>
</tr>
<tr>
<td>% EOC employees</td>
<td>32.27</td>
<td>24.25</td>
<td>35.79</td>
</tr>
<tr>
<td>% EOC agreements</td>
<td>11.8</td>
<td>11.74</td>
<td>14.58</td>
</tr>
</tbody>
</table>

* Equal opportunities clauses were only recorded in agreements negotiated in 1993. Consequently, the total number of agreements in operation in 1993 was 4749, and the total number of employees covered was 7737138.

Source: MTSS, Anuario de Estadísticas Laborales (quoted in Molto (2002))
Box 5.6 The 9 May 2001 law in France: an example of real mainstreaming policy?

For **private sector companies**, there is an important new measure as far as mainstreaming is concerned: “a specific obligation to negotiate on occupational equality between women and men” at company and sector level every three years. The law also aims at creating an “*obligation to mainstream occupational equality between women and men in all compulsory negotiations*” in companies (pay, working time, right to expression) and in sectors (pay, grading, vocational training). We should also note that if this obligation is not respected, it leads to the same penalties as in the case of not negotiating on other compulsory subjects.

This law aims at filling the main gaps in equality practice in France:
- firstly, such a principle involves social actors at the level of the sector and locally. But, the results of the 1983 law show the extent to which these actors do not use available tools, thus limiting the passage from equality in law to equality in reality;
- secondly, work on equal pay has shown for years now that negotiating equality in a specific way had little effect (Silvera, 1996, 1998). Indeed, inequality is built into all negotiations and cannot be reduced afterwards by corrective measures *ex post*. Only upstream reflection, which is transversal to all negotiations makes it possible to leave this dead end (Ministry of Employment and Solidarity, 2000);
- thirdly, this proposal is in the form of an obligation - there are penalties if it is not respected. This is important, because it seems that there is no “spontaneous” will to negotiate equality in France.

Source: Silvera (2002)

Box 5.7 Equality initiatives in collective bargaining and employee representation

**In Ireland** the key national forum within which the gender pay gap has begun to be addressed in recent years is the National Agreement process which involves both the traditional social partners (trade unions, employers organisations, farmers organisations and representatives of government departments) and the new social partners (representatives of community and voluntary sectors including women, unemployed, disabled and others). Following a Research Report produced by the ESRI into gender pay issues, a Consultative Group was established under the current National Agreement Programme for Prosperity and Fairness 2000-2002 (PPF). This Group has been given the responsibility to address the issues raised by the research and to report to government by the end of 2002. This Group is also overseeing sectoral studies covering information technology (IT), electrical and electronic, retail, food and local government being carried out in partnership with Finland, Sweden and Northern Ireland funded under the EU Gender Equality Programme 2001-5.

**In Austria** there is a question whether higher female unionisation can ensure that “women’s interests” are better represented. Both Angelika Stueckler (2000:2) and Birgit Buchinger et al. (2000), for example, show that labour representation in Austria is predominately male-oriented and represents male interests, while “women’s interests are marginalised within separate women’s organisations” In the 1990s, a step-by-step plan was worked out by the Austrian Trade Union Conference’s women’s department, and in 1995 the Austrian Trade Union Conference Congress decided that women should be represented on Conference bodies according to membership share. Since then, female participation in trade unions has gradually improved. The Union of Salaried Employees (GPA) has taken a further step by implementing a positive action plan, which has established a women’s representation quota on all GPA bodies (Stueckler 2000:2). Moreover the women’s department of the Austrian Trade Union Conference is increasingly focussing on gender pay equality and in recent years has drawn up a number of proposals and demands for the reduction of wage differences, including, for instance, information campaigns on income trends, the establishment of a social partners advisory committee and an investigation into the causes and motives of pay differentials (Leitner 2002:13).

**In Spain** one of the aspects that is changing fastest in collective bargaining is the content of collective agreements. Collective agreements in Spain have been noted for their poverty of content (Moltó, 1993: 18), restricted mainly to the regulation of wages. This started to change around 1994; some aspects such as equal opportunities clauses were captured in official statistics for the first time in 1993, in particular for agreements negotiated in that year. Equality clauses show a positive trend, as well as the number of employees covered by EOC (see Table 5.1). The percentage of agreements including EOC was relatively low, but increased from 11.8% in 1993 to 14.6% in 2000, covering now more than one out of every three employees.

Sources:
Barry (2002); Mairhuber (2002); Molto (2002)
5.2. Policies to change women’s position within labour market structures

For many governments and indeed social partners, the problems of the gender pay gap lie not in payment structures or systems but in women’s position within the labour market. Therefore policy should, according to this view focus as much on changing women’s position, concentrated in low graded jobs, as on changing the pay and status attached to this type of work. These policy approaches can of course be complementary, particularly where positive action to help women move up the labour market include building ladders within female-dominated work and bridges between women’s jobs and the male-dominated organisational hierarchies. A number of countries have instigated reviews of equal opportunities issues within the civil service and these reviews may lead to action on a number of fronts (see box 5.8).

One of the attractions of the current policy in favour of gender pay audits is that remedies may include not just or only changing pay structures and systems but also attention to promotion procedures, job ladders etc. However, such policies are less likely to be effective where they take the existing structures of pay and grading as gender sensitive and focus all the attention on where women are located within existing hierarchies (see the example from Germany- box 5.8). As Plantenga and Sjoerdsma (2002), point out in the context of the Netherlands:

In general terms, however, equal pay does not seem to be seen as a direct point of departure for policy by either government or unions. Instead, the improvement of the relative wage rate of women is considered a consequence of a more general policy aimed at improving the labour market position of women.

Box 5.8 Positive action policies

In **Ireland** a committee focusing on the development of equal opportunities at the level of the enterprise has been established by the Department of Enterprise Trade and Employment, following a commitment under the National Agreement. Another important policy development includes the adoption of a new Gender Equality Policy for the civil services containing specific targets on women’s representation at senior levels as well as commitments to equality audits in local authorities.

In **France** a study carried out by Anne-Marie Colmou on the place of women in the civil service attracted a lot of attention. In a feminised sector, where the weight of rules is great and where legal equality is guaranteed by the Civil Service Status, this study highlighted the persistence of great inequality between men and women in access to posts of responsibility. The government, therefore, intervened in order to improve the situation: equality plans are to be introduced in each Ministry, in order to ensure balanced participation of women and men on the basis of indicators and targets with actual numbers attached for each Ministry. Also, juries for entrance exams and State representatives in civil service consultative bodies are going to be feminised. Finally, women’s access to posts, where there are few women (army and police) is going to be encouraged. Conversely, men’s access to posts that very feminised (e.g., childcare facilities) will be facilitated. These measures are also in the law on occupational equality, in order to integrate them in the new Civil Service Status.

In **Germany** there are some collective agreements on firm level which demand special promotion for women, a family friendly organisation of work (and working time) and other equal opportunities policy (in training, apprenticeships etc.) None of these agreements include explicitly “equal pay” issues or a reassessment of job classification systems used etc.

**Sources:**
Barry (2002); Silvera (2002); Maier (2002)
5.3. Policies to reduce the impact of childcare responsibilities on the gender pay gap.

There are three main policy approaches to addressing the potential negative impact of women’s responsibility for childcare on women’s subsequent careers. The first is to provide more external assistance with childcare to allow women to pursue similar employment histories to those of men. The second is to allow for more diverse employment patterns, through facilities for flexible working, coupled with policies designed to reduce discrimination against part-time or flexible workers. The third is to address the need to change the male norm of full-time continuous working by providing for more flexible or shorter hours for all and to encourage male as well as female participation in leave arrangements and flexible working.

Most policy initiatives fall into the first and second category. There has been a major expansion of childcare provisions, at least according to government commitments, since the introduction of childcare as a main issue in the European employment strategy (see Rubery et al. 2001). Childcare provision is still not adequate in a number of member states but nevertheless recent plans to expand provision should assist many more women in staying in work or returning to work at an early stage. Such developments should help to close the gender pay gap as career interruptions have a negative impact on earnings, whether related to childcare or unemployment (see section 2 and Employment in Europe 2002). However, how far childcare facilities can on their own enable women to pursue uninterrupted and full-time working, even if this is their objective, is dependent on other aspects of work/life organisation, including contractual and actual hours spent at work, commuting times, variable work schedules, availability of services to the family outside of working hours and, in particular, the working hours expected of male partners. Policies under flexible working primarily involve increased leave provision and policies to allow flexible or shorter working hours. There have been general directives aimed at reducing discrimination against non-standard and flexible workers but there has been no general policy to prevent flexible working damaging pay and career prospects. Indeed in the Scandinavian countries the provision of more family friendly arrangements in the public sector has been seen by some as underpinning widening differentials between the public and private sectors and the existence indeed of a gender pay gap. Most of the increased leave in other countries has been on an unpaid or low paid basis (Rubery 2002), thereby not addressing the differences in participation in leave between mothers and fathers.

Box 5.9 provides some discussion of the continued ambiguity of policies that address flexible working and leave arrangements on the long term position of women in the labour market in three very different member states - Denmark, Spain and France. All face the question whether enhanced rights for leave, paid homecare or flexible working will be detrimental to women’s position without greater involvement of men in these arrangements. In Scandinavia there has been increasing recognition that progress in closing the gender pay gap may be dependent upon gender mainstreaming reconciliation policies, that is changing the systems of work organisation and leave for both men and women in order to change the perceptions of employers that it is women that will take up flexible working options and leave options (see box 5.9 for a discussion of the situation in Denmark). The focus of recent policy in these countries and in some others has therefore been on providing incentives for fathers to participate in leave, even if only for relatively short periods. However this has not always been backed by paid leave provisions – particularly outside the Scandinavian countries- thereby continuing the problem that the family, let alone the father, may not be able or willing to allow the main breadwinner to participate in childcare. Rather
few countries have developed general policies towards shorter or more flexible hours for all.

The overall impact of better childcare provisions and more generous leave entitlements should be that women are more able to retain their employment status over the period of childbirth and are therefore less subject to the risk of occupational downgrading, an important factor in women’s low pay in some European countries in the past. However, the limited moves towards involving men in the process of care provision may mean that divisions between male and female workers in the labour market will remain, particularly if it is the public sector rather than both private and public sectors that adopts family friendly working, perhaps as its chosen retention method over more equal pay.

**Box 5.9 Reconciliation policies**

In **Denmark** the Minister of Employment has submitted a proposal on part time to ensure that an employee and an employer freely can arrange part time work for an employee, in spite of practice and collective agreements (L 106 of the 20’th of February). In the additional remarks to the proposal the Minister of Employment argues that the consequences of the proposal will be gender sensitive. It addresses the part of the labour market with no previous access to part time work, which is mainly the male dominated labour market, thus giving men opportunities of part time work, similar to those of most women, who already predominate the number of part-timers. If so, it should enable employees to stay in the labour market on part time and postpone retirement, thus improving employability. It is difficult to predict if this argument is valid. Investigation of previous work time arrangements regarding different forms of leave and sabbatical show that women use these arrangement to a greater extent than men (Emerek 2000). The opposite supposition is that it may only increase the percentage of part-time working women, as women working in the male dominated labour market will now gain access to part time work. If so this may influence the wage-setting and the gender pay gap in a negative way in the minimum-wage and minimum-pay systems, as the personal supplements or personal wage probably will be relatively lower for part-timers, as indicated by Ibsen and Christensen (2000). Leave schemes in Denmark may also be having negative impacts on the gender pay gap, for even though leave is necessary to improve conditions for families, the result of the new leave schemes may be resulting in women loosing contact with the labour market and falling back in pay. Gupta and Smith’s study (2000) indicates that the extension of leave policies has adversely impacted the earnings potential of mothers relative to other groups, and the authors recommend an extension of paternity leave as an important policy prescription to narrowing the gender gap in earnings.

In **Greece** mothers in the public sector are now entitled to a nine-month fully paid leave for child-rearing after the end of maternity leave but mothers who opt for this leave will no longer be entitled to a shorter working day (without reduction of pay), a leave which was first established in 1981 and is available to date for all mothers with a child under four years. The nine-month leave is seen as an incentive for women to have more children, but it is likely to be more detrimental to women’s advancement in the public sector than the ‘reduced-hours’ leave.

**Spain** has improved the regulation of maternity/paternity leave by establishing an independent subsidy that is applied for the first time to self-employed and domestic workers and also allows sharing the subsidy with part-time working by an agreement between the employer and the employee. The transmission of the subsidy to the father is also regulated. The leave for taking care of adult family members has the same consideration than a working period as to the social security allowances is concerned.

In **France** the ambivalent nature of family policy is still evident. Some measures are favourable to women’s occupational, family and career equality. For example, longer paid paternity leave (15 days) since 2001 is a real success (more than 50% of fathers have taken advantage of it since it was created). Likewise, commitment to more childcare places goes in the same direction. On-going experiments regarding city times – with a view to harmonising working time with all of a town’s services – contribute to this process. But, the principle of Parental Childcare Allowance (APE) discriminates against mothers who are in the most insecure situation regarding the labour market but there are no current plans to change this system.

Sources:
Emerek (2002); Karamessini (2002); Molto (2002); Silvera (2002)
5.4 National policy approaches in member states to closing the gender pay gap.

There are wide differences between member states in the extent to which there is an identifiable national policy debate and indeed national policy to address the gender pay gap. For some the debate has hardly begun (see box 5.10 for examples from Portugal, Ireland and Greece) or is based on the assumption that the main cause of the gender pay gap lies not in labour market structures and practices but in women’s behaviour and characteristics that confines them to lower paid segments of the labour market. Closing the gender pay gap from this perspective will therefore be the outcome of equal opportunities policies and not the means for achieving equal opportunities.

In some cases there were signs of a new approach to gender issues and equal pay under previous governments that have now been placed in question due to a change in government in the member state. Thus in Denmark the new law requiring publication of earnings data at the workplace level is being postponed and in France the new law requiring bargaining on equality issues is coming into force just as the government that introduced the law goes out of office. In Germany and Belgium there is some evidence of greater interest in gender pay issues from the government than from the social partners; in Belgium it was the government that has introduced these issues onto the collective bargaining agenda but in Germany ideas of introducing new measures on equal pay have been turned into voluntary measures in the face of opposition from employers and lack of interest from trade unions. In the Netherlands and the UK there has also been some action from government; in the first case an Action Plan on equal pay has been launched, but with the government making clear it has only limited responsibility for implementation, placing much of the onus for delivery on the social partners (see box 5.10). In the UK the situation is complex (see box 5.10). On the one hand the government is beginning to take some action, in the form of compulsory pay audits in the public sector and encouraging voluntary audits in the private sector. Perhaps more importantly it is considering allowing equality issues to be a factor in public/private partnerships and contracting out decisions. However, much of this action comes as a rather minimum reaction to pressure from trade unions, the Equal Opportunities Commission (EOC) and indeed the general public debate on the need for some action, given the extremely poor record of the UK in achieving fair wages for women to date. The government rejected the EOC’s call for compulsory pay audits and has championed the flexible labour market and decentralised, performance-related pay. Therefore, the current moves to try to improve women’s’ pay should be seen in the context of the wider policies towards pay and employment restructuring. In Finland there has been a long standing awareness of gender pay issues by the government and the social partners but there seems to have been relatively little progress made in closing the gap despite the high educational level of Finnish women and the similar patterns of work experience of women and men in Finland. Recently the concern over skill shortage in IT has perhaps taken priority in changing the wage structure over the need to redress the undervaluation of women’s jobs. There is more optimism and action in Sweden where there is a push to gender mainstream all areas of social and economic life including pay issues at the organisation level (see box 5.10 and 5.5). The impact of these new measures have not yet been evaluated but it must be remembered that in Sweden these efforts are still taking place against a context of a widening wage distribution, so that the end result could still be a stable or even widening gender pay gap. This suggests that there is a real need to mainstream pay policies above the level of the organisation and develop mechanisms for comparing pay across, as well as between, organisations.
initiatives. Unions have not taken any important initiatives on their own, but rather conform to the Equal pay policy in entered the policy agenda. At the same time, it should be acknowledged that the issue of gender wage inequality has at least become 'soft' and often indirect, even after the introduction of the Action Plan Equal Pay in Spring 2000. Creating a legal framework within which social partners have to realize equal pay, the policy initiatives in the UK. Employers and are not thereby related to the whole structure of pay and system of pay determination in public sector jobs such as clerical workers. While these are all female-dominated areas of employment, the gender dimension rarely enters the debate. Setting of pay increases through the system of national agreements with the social partners in order to establish stable industrial relations.

In the United Kingdom there has been an increasing focus over the last two years within policy debates and policy circles on the gender pay gap, stimulated in part by recommendations by the European Council of Ministers to address the large size of the gap as part of the European employment strategy. The EOC’s decision to set up a task force on equal pay has been an important stimulus to this debate, even if the immediate response by government was to exclude the main recommendation of the taskforce, that is compulsory pay audits. The need to make some positive response was nevertheless recognized and the government set up the Kingsmill review, possibly to distract attention from its refusal to implement the taskforce recommendations. The Kingsmill review largely supports the government’s preferred voluntary approach in the private sector, although it does consider the case for compulsory reporting on human resource management in company accounts. This voluntary approach is at the heart of government policy towards equal pay. However, the government has been pushed by the strength of feeling within the trade union movement towards a more interventionist approach with respect to contracting out and public private partnerships but even here, in its proposed code of practice rather than statutory regulation, and in its weak formulation that contractors should set broadly similar terms and conditions, its predilection for the voluntary market led approach is evident. The weakness of this policy stance lies not only in the fact that it relies on voluntary compliance but that it fails to adopt a gender mainstreaming approach to the problem of the equal pay gap in the first place. The problems of the gender pay gap are supposed to be solved through the voluntary actions of individual employers and are not thereby related to the whole structure of pay and system of pay determination in the UK.

In the Netherlands the role of the government with respect to equal pay is rather limited. Apart from creating a legal framework within which social partners have to realize equal pay, the policy initiatives are ‘soft’ and often indirect, even after the introduction of the Action Plan Equal Pay in Spring 2000. At the same time, it should be acknowledged that the issue of gender wage inequality has at least re-entered the policy agenda.

Equal pay policy in Greece started in the early seventies and has been limited so far to legislative initiatives. Unions have not taken any important initiatives on their own, but rather conform to the

Box 5.10 The policy orientations of member states

In Sweden the government has stated that its overall objective in regards to gender equality is a society in which women and men have the same opportunities, rights and responsibilities in all areas of life. Gender equality perspectives should permeate politics on all levels in society. Nevertheless, prioritised areas are power and influence, power and financial independence, men and gender equality, freedom from gender-related violence, and development of methods for mainstreaming. The overall goals for the Swedish gender equality policy are to make it easier to reconcile work and parenthood, and to decrease the financial differences between families with and without children. Since the gender wage gap is highly correlated with wage inequalities, mainstreaming gender wage equality in policy making is imperative. However, while the wage setting policy up until the 1980s based on general policies aimed at low income earners benefited women who constituted the majority in this group, there are now diminishing possibilities for trade unions to conduct central wage setting as individual wage setting is dominating both within the private and public sector.

In Portugal the policy debate on the gender questions and in more concrete terms on the gender pay gap is not really in the policy agenda. This debate was being introduced in a discrete but visible way through the action of the department on gender issues of the previous government that was preparing a second Global Plan on Equal Opportunities. Still with the change of government last April this process stopped and the issue of Equal Opportunities seems to be loosing visibility.

In Ireland the process of addressing the issue of the gender pay gap within the National Agreement process involving traditional and non traditional social partners is at a very early stage and is limited to research, data collection and analysis. This has ensured that more information, understanding and awareness of the gender pay gap is developing in Ireland but it has yet to be translated into a programme of action or to a set of specific policy initiatives. Most of the debate around pay in Ireland focuses on pay issues in specific job and occupational categories, such as low paid professional (nurses and teachers), low paid jobs in private services such as retailing, tourism, hotel and catering or low paid public sector jobs such as clerical workers. While these are all female-dominated areas of employment, the gender dimension rarely enters the debate. Setting of pay increases through the system of national centralised bargaining means that the political system is strongly focused on achieving three year agreements with the social partners in order to establish stable industrial relations.
requirements of the law with respect to equal pay for the same work. The ‘equal pay for work of equal value’ principle, although enshrined by the Constitution, has been neglected both by social partners and policy-makers in Greece.

Sources:
Spånt and Gonäs (2002); Gonzalez (2002); Barry (2002); Grimshaw, et al. (2002); Plantenga and Sjoerdsma (2002); Karamessini (2002)
6. Conclusions

The traditional or mainstream approach to the gender pay gap has focused primarily on gender gaps and in particular women’s deficiencies relative to the attributes of men. In practice this approach has not provided a very good guide to policy; as women have closed the gaps in education and experience, other factors have apparently become more important in explaining the gender gap. Moreover many of these studies leave out of account the influence of the work environment – the general wage structure in the economy and the specific characteristics of the workplace. Once these are included they often provide new insights into the problems of the gender pay gap, suggesting the need to gender mainstream pay policies and practices. While we can identify this need, it is clear that up until now there has been little evidence of a mainstreaming approach. The three perhaps most important elements of pay policy over recent years- trend declines in the minimum wages, moves towards more decentralisation and individualisation, and the restructuring of the public sector - have been and are being carried out with little or no reference to the gender effects.

The differences between countries in the structure, level and form of wage differentials suggests that these arrangements reflect a range of influences, including historical factors, social factors, institutional arrangements and opportunities for the exercise of power, through collective or individual bargaining, or through the setting of monopsonistic wage rates by employers. Given the messy reality of wage structures, there is clearly scope to make improvements in the equity of wage structures without endangering productively or efficiency; indeed a stronger argument can be made that the current system of wage discrimination against women reflects now outdated and inappropriate notions about both the potential productivity level of women and their financial dependence on men- thereby removing the need to pay a living wage. These outdated and inappropriate notions need to be rooted out of European pay structures as they have negative impacts on both individual welfare and on the organisation of a socially efficient society. Gender differences in earnings opportunities reinforce traditional divisions of labour at the household level, preventing individuals and couples from deciding on a different organisation of the household and caring responsibilities. At the economy level, the employment of women at low wages may discourage the development of and investment in women’s skills. Human resource policies tend to be directed at the higher paid, leading to a neglect both of the current contributions of lower paid workers and a failure to develop policies to enhance productivity and efficiency in these areas. European member states seem to be happy to invest in the education of women to the same or even to a greater extent than men but have not yet developed an interest in shaping the labour market to ensure that these investments are utilised in the interests of both women and the economy more generally.

If low wage levels are identified with outdated notions of female dependence, then it becomes clear that simply equalizing men’s and women’s’ chances to earn high and low pay within the same wage structure would not remove these gender effects from the way in which labour is paid and rewarded. Gender mainstreaming requires therefore that we need consider what constitutes an appropriate level of wages at the bottom of the labour market. In particular there is the issue whether gender equality requires that the minimum wage should be linked to some notion of minimum living standards for an independent adult, and not based on a notion of a dependent worker who is supported in his or her living standards by either the family or the state. The fragility of both state and family support systems in the US has perhaps made more evident to trade unionists and campaigners the need for some notion of a living wage to be used to set a floor to the labour market.
Gender mainstreaming also involves questioning whether the changes in rewards to higher paid workers are really required as incentives for people to take on these jobs or whether they reflect simply greater opportunities for individualized bargaining under the new decentralized systems. Employers have increased their discretion over pay systems in many countries and one of the consequences of such discretion may be a shift in rewards from lower to higher level jobs, consistent with the interests of managers and employers themselves. Gender mainstreaming pay policies therefore means questioning these developments and their relationship to gender imbalances in power, and not just seeking gender equality in the returns.

While the argument of this paper is the need for gender mainstreaming of pay policies and practices, there are relatively few examples where this has been taken on board and developed either at a macro or at a micro level. As we have argued, macro level policies, for example towards minimum wages or public sector pay have been developed and largely implemented without reference to gender pay effects. There is more evidence of action at the company or micro level, in the form of gender audits, but these often rely on voluntary actions or on legal regulations that are not well enforced. To provide some examples of gender mainstreaming we have chosen three examples where there is perhaps evidence of a wider and more systematic approach consistent with gender mainstreaming. These examples have already been described in boxes in the report. First of all we have the new law in France which makes bargaining on equality issues a compulsory element of collective bargaining (see box 5.6). This measure should in principle require gender issues to be addressed within the mainstream process of collective bargaining. The second measure that we have included is the Swedish Equal Opportunity Act and its recent amendments that should require companies to make public their wage structures by gender and to take action to overcome problems of gender inequality (see box 5.5). These measures will not necessarily be sufficient to overcome the tendency towards widening gender gaps in Sweden as they are coinciding with trends towards more decentralisation of pay determination, but nevertheless they represent a comprehensive and non voluntary approach to the issues at the company level. Finally we have include the campaign in the UK by the trade unions against a two tier workforce in the public sector; although this campaign has not been couched primarily in gender pay terms, the unions have been more than aware of the gender dimensions of the contracting out policy and have recognised the risk of widening gender pay gap as an important part of the increased risk of these new public sector policies (see box 4.8).

While this paper has advocated the development of gender mainstreaming of pay policies, it is nevertheless necessary to remember the limitations of these policies. There is no automatic cure for gender pay inequality, nor is there any policy proposal that can be guaranteed to eliminate discrimination. Even under the strong solidaristic approach of the Scandinavian countries in the 1970s and 1980s the gender pay gap still survived. There does in fact appear to be a problem of a glass ceiling to the gender pay ratio. However, if we were only concerned with perfect solutions that could guarantee elimination of the gender pay gap in its entirety then we would be offering a prescription for inaction. Instead gender mainstreaming offers a continuous process of analysis and response; it is not tied to any specific recommended policy but instead suggests that the gender dimension of specific policies should be anticipated and amendments made on that basis. There must also be monitoring of the policy and subsequent amendments where the outcomes are unanticipated or even perverse. Gender mainstreaming is thus a process, but one that has hardly begun.
NATIONAL REPORTS

http://www.umist.ac.uk/management/ewerc/egge/egge.html


http://www.umist.ac.uk/management/ewerc/egge/egge.html

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http://www.ccoo.es

### APPENDIX

**Appendix Table 1. Main national sources of pay data (other than those used directly for the ECHP)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Main national source of data</th>
<th>Wage data</th>
<th>Groups/ sectors excluded or underrepresented</th>
<th>Are hourly pay data for part-timers available?</th>
<th>Other issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Belgium</strong></td>
<td>National Institute for Statistics (INS)</td>
<td>Gross earnings (bi-annual until 1999); monthly for non manual, hourly for manual. Gross monthly pay Includes overtime pay</td>
<td>Public sector Manual workers in services --</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social Security National Organisation (ONSS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>Danish Central Bureau of Statistics (until 1992) – collected by DA Central Bureau of Statistics (since 1994)</td>
<td>Gross earnings (monthly, hourly); separate data on premium payments</td>
<td>Public sector</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Public sector included since 1996</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>German Socio-Economic Panel (GSOEP); household panel, since 1984 (W Germany), since 1990 (E Germany) IAB-Beschäftigtenstichprobe (IAB employment sample), 1% random sample from 1975 on (E Germany since 1993) Federal Statistical Office – Verdienste (quarterly) Gehalts- und Lohnstrukturerhebung (available every 5 years)</td>
<td>Panel data, gross and net wages of individuals and households Gross annual/ monthly earnings reported by employers (hourly not possible) Gross earnings – hourly (manual) and monthly (non manual)</td>
<td>Employees not covered by social security (marginal part-timers, self-employed, civil servants) Service sector (only trade and banking/insurance included) Public sector Marginal part-timers Highly paid workers Firms less than 10 employees</td>
<td>Yes</td>
<td>Sample size may be rather small for very detailed analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td></td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>National Statistical Service</td>
<td>Gross monthly wage (non manual), gross hourly (manual)</td>
<td>Public sector Some private services</td>
<td>No</td>
<td>Only available for separate sectors</td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>Survey of Wage structure, 1988</td>
<td>Gross earnings; hourly pay estimated from annual earnings and annual hours worked</td>
<td>Public sector Part-time workers Small firms (&lt;5 workers) Employees not covered by social security</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

148
<table>
<thead>
<tr>
<th>Country</th>
<th>Source</th>
<th>Data Type</th>
<th>Sector</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey on Living and Working Conditions, 1985-86</td>
<td>Net monthly wages (no info on hours of work)</td>
<td>Public sector</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>DADS (employer declarations), INSEE, 1951--</td>
<td>Annual and monthly gross and net pay</td>
<td>Some parts of public sector</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Employment Survey (Enquête Emploi), INSEE</td>
<td>Net monthly pay</td>
<td>Firms with less than 10 employees</td>
<td>No</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>Central Statistics Office</td>
<td>Gross hourly pay</td>
<td>Public sector</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Private services</td>
<td></td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>Ministero delle Finanze (MF), 1982-94</td>
<td>Gross annual earnings</td>
<td>--</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Bank of Italy survey of households (SHIW), 1977-</td>
<td>Net annual earnings (estimated monthly)</td>
<td>--</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>INPS, 1986-96--</td>
<td>Gross annual earnings (estimated monthly)</td>
<td>Public sector</td>
<td>No</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>STATEC</td>
<td>Gross hourly (manual), monthly (non manual)</td>
<td>Public sector</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Only available for separate sectors</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>Half-yearly survey of wages (1977-89)</td>
<td>Gross hourly wage (including overtime)</td>
<td>Agriculture, fishing</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Survey on employment and wages (1990-2000)</td>
<td>Gross hourly wage</td>
<td>Employees in private households and international offices</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Comparability problems before and after 1995 and 1999</td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>Ministry of Finance wage and income tax statistics</td>
<td>Gross and net annual pay</td>
<td>--</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Main Association of Austrian Security Institutions social insurance statistics</td>
<td>Annual income</td>
<td>Civil servants</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gross annual pay</td>
<td>Highest and lowest paid</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Statistik Austria microcensus data</td>
<td>Hourly data available</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Public administration</td>
<td>Weak reliability</td>
</tr>
<tr>
<td><strong>Portugal</strong></td>
<td>Ministry of Labour, Quadros de Pessoal</td>
<td>Monthly pay</td>
<td>Public administration</td>
<td>Yes (restricted data access)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Less representative of agriculture and services</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Index of Wage and Salary Earnings Structural Statistics on Wages and Salaries</td>
<td>Gross monthly earnings</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gross monthly earnings (overtime included)</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gross annual earnings</td>
<td>Gross monthly earnings</td>
<td>Part-time workers</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------</td>
<td>-----------------------</td>
<td>------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>Statistics Sweden</td>
<td>Monthly pay (non manual), hourly pay (manual workers) - also estimated as monthly earnings</td>
<td>--</td>
<td>No</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>New Earnings Survey</td>
<td>Gross weekly, hourly</td>
<td>Workers with no National Insurance contributions</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Appendix Table 2. The gender pay ratio according to the main national sources of earnings data

<table>
<thead>
<tr>
<th>Country</th>
<th>Source of data and sample of workforce</th>
<th>Most recent year and trend</th>
<th>Gender pay ratio</th>
<th>All workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>INS</td>
<td></td>
<td>FFT/MFT</td>
<td>FPT/MFT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1980</td>
<td>61%</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1997</td>
<td>69%</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>ONSS</td>
<td>1980</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1997</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>Central Bureau of Statistics</td>
<td>1996</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>IAB</td>
<td>1977</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(gross annual wages)</td>
<td>1997</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1993</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1997</td>
<td>94%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gehalts und Lohnstrukturerhebung</td>
<td>1995</td>
<td>76%</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>(gross hourly pay, manual workers)</td>
<td></td>
<td>77%</td>
<td>69%</td>
</tr>
<tr>
<td>Greece</td>
<td>Wholly reliant on European data</td>
<td></td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Survey of Wage structure, 1988</td>
<td>1988</td>
<td>74%</td>
<td>na</td>
</tr>
<tr>
<td></td>
<td>Encuesta de Salarios</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1994</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1994</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spanish Household Panel Data (ECHP)</td>
<td>1994</td>
<td>83%</td>
<td>49%</td>
</tr>
<tr>
<td></td>
<td>(net yearly average earnings)</td>
<td>1997</td>
<td>83%</td>
<td>37%</td>
</tr>
<tr>
<td>France</td>
<td>DADS</td>
<td>1980</td>
<td>72.3%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
<td>75.1%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1995</td>
<td>81.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1999</td>
<td>81.4%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employment Survey</td>
<td>1991</td>
<td>84.2%</td>
<td>--</td>
</tr>
<tr>
<td>Country</td>
<td>Source/Method</td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
</tr>
<tr>
<td>-------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Ireland</td>
<td>Central Statistics Office</td>
<td>1988</td>
<td>67%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1994</td>
<td>73%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Living in Ireland Survey (for the ECHP), gross hourly pay</td>
<td>1987</td>
<td>79%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1994</td>
<td>86%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1997</td>
<td>86%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
<td>87%</td>
<td>86%</td>
</tr>
<tr>
<td>Italy</td>
<td>Ministero delle Finanze (MF) – employees</td>
<td>1982</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1987</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Bank of Italy survey of households (SHIW)</td>
<td>1989</td>
<td>84%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1995</td>
<td>82%</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>STATEC (industry only)</td>
<td>1980</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(non manual)</td>
<td>1980</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(industry manual)</td>
<td>1980</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>2001</td>
<td></td>
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<tr>
<td>Netherlands</td>
<td>Combined sources of national data (Data for 2000 are not completely</td>
<td>1980</td>
<td>--</td>
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<tr>
<td></td>
<td>comparable to earlier data)</td>
<td>1985</td>
<td>--</td>
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</tr>
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<td>1987</td>
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<td>1989</td>
<td>72%</td>
<td>72%</td>
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<td>1990</td>
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<td></td>
<td>2000</td>
<td>78%</td>
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<td>Austria</td>
<td>Social insurance income data (Gregoritsch et al 2000) (median monthly gross</td>
<td>1977</td>
<td></td>
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<td></td>
<td>earnings; excludes civil servants and lowest paid)</td>
<td>1997</td>
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<td></td>
<td>Wage and income tax statistics (average gross annual income)</td>
<td>1999</td>
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<td></td>
<td>Microcensus data (gross annual earnings)</td>
<td>1997</td>
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<td>Gregorisch et al (2000) (gross hourly pay)</td>
<td>1996</td>
<td>78%</td>
<td>80%</td>
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<tr>
<td>Portugal</td>
<td>Quadros de Pessoal</td>
<td>1985</td>
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<td></td>
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<td>1990</td>
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<tr>
<td>Country</td>
<td>Source</td>
<td>Year(s)</td>
<td>Female/Male</td>
<td>Full-time</td>
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<td>-----------</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Index of Wage and Salary Earnings</td>
<td>1985</td>
<td>79%</td>
<td>--</td>
</tr>
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<td></td>
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<td>1990</td>
<td>80%</td>
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<td></td>
<td>2001</td>
<td>82%</td>
<td>82%</td>
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<tr>
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<td>Structure of Earnings Statistics</td>
<td>1995</td>
<td>79%</td>
<td>--</td>
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<td>1999</td>
<td>79%</td>
<td>79%</td>
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<tr>
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<td>Quality of Work Life Survey</td>
<td>1984</td>
<td>77%</td>
<td>--</td>
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<td></td>
<td>1990</td>
<td>75%</td>
<td>75%</td>
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<td></td>
<td></td>
<td>2000</td>
<td>79%</td>
<td>79%</td>
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<tr>
<td><strong>UK</strong></td>
<td>NES (overtime included)</td>
<td>1984</td>
<td>73%</td>
<td>57%</td>
</tr>
<tr>
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<td></td>
<td>1990</td>
<td>77%</td>
<td>57%</td>
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<td></td>
<td>1995</td>
<td>80%</td>
<td>60%</td>
</tr>
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<td></td>
<td></td>
<td>1999</td>
<td>82%</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
<td>81%</td>
<td>60%</td>
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<td></td>
<td></td>
<td>2001</td>
<td>82%</td>
<td>59%</td>
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Source: National reports.
### Appendix Table 3. Summary of main findings from selected national studies in EU member studies

<table>
<thead>
<tr>
<th>Country</th>
<th>Author and year</th>
<th>Dataset, year and sample</th>
<th>Independent variables</th>
<th>Workplace and other characteristics</th>
<th>Year</th>
<th>Unadjusted % of gap</th>
<th>Adjusted % of gap</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Jepsen (2001)</td>
<td>ECHP 1994-95</td>
<td>Education, qualifications, experience, company seniority, occupation, sector Pay gap explained 1994-95</td>
<td>Employment contract</td>
<td>1994-95</td>
<td>0.16</td>
<td>13%</td>
<td>0.14 MFT v FFT</td>
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<tr>
<td></td>
<td>Ministry of Employment and Labour</td>
<td>ESES</td>
<td>Education, work experience, seniority, ISCO (2-digit), working hours, shift/unsocial hours premia, sector</td>
<td>Employment contract, firm size, type of economic/financial control</td>
<td>1995</td>
<td>0.25</td>
<td>76%</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td>Plasman (2002)</td>
<td>ECHP 1994-1998</td>
<td>Age, nationality, education, family status, property status, experience, sector, firm size, occupation</td>
<td>--</td>
<td>1994-98</td>
<td>0.21</td>
<td>37%</td>
<td>0.13 Analysis covers 13 EU member states. Explained gap ranges from 18% (Spain) to 66% (Netherlands).</td>
</tr>
<tr>
<td>Denmark</td>
<td>Pedersen and Deding (2000)</td>
<td>Central Bureau of Statistics (1996)</td>
<td>Marital status, no. and age of children, education (7 levels), age, time in training, reason for absence from labour market, PT/FT, hours of work, occupation (9 groups), sector (9 and 27 groups)</td>
<td>Location of workplace</td>
<td>0.17</td>
<td>25%</td>
<td>0.13</td>
<td>Private Central gov’t Local gov’t Study limited to age group 25-59</td>
</tr>
<tr>
<td>Germany</td>
<td>Seel &amp; Hufnagel (2000)</td>
<td>GSOEP, W Germany</td>
<td>Age, household status, no of children, FT/PT, hours, net income of partner, interruptions, work experience, job position, sector, education, training</td>
<td>Employment growth of firm</td>
<td>1964</td>
<td>0.38</td>
<td>72%</td>
<td>0.11 Monthly pay</td>
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<tr>
<td>Greece</td>
<td>Kanellopoulos 1982</td>
<td>Survey of manufacturing, 1964</td>
<td>Schooling, seniority, potential experience, occupation (1-digit), industry (2 dummies)</td>
<td>Firm size, employment growth of firm</td>
<td>1977</td>
<td>0.35</td>
<td>11%</td>
<td>0.31</td>
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<tr>
<td></td>
<td>Psacharopoulos 1983</td>
<td>1977 survey in nine cities</td>
<td>Schooling, actual experience</td>
<td>--</td>
<td>1988</td>
<td>0.24</td>
<td>28%</td>
<td>0.17</td>
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<tr>
<td></td>
<td>Kanellopoulos and Mavromomaros 2000</td>
<td>Family Expenditure Surveys, 1988, 1994 (weekly pay)</td>
<td>Wage-related variables: age, education, marital status, sector, residence, managerial job, participation variable (function of 10 variables in first step Heckman procedure)</td>
<td>--</td>
<td>1994</td>
<td>0.29</td>
<td>29%</td>
<td>0.21</td>
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<tr>
<td></td>
<td>Karamessini and ESES</td>
<td>Age, education, tenure, Collective bargaining</td>
<td>--</td>
<td>--</td>
<td>1995</td>
<td>0.33</td>
<td>73%</td>
<td>0.09 Industry</td>
</tr>
<tr>
<td>Authors</td>
<td>Study Details</td>
<td>Sample Characteristics</td>
<td>1997</td>
<td>1998</td>
<td>1999</td>
<td>2000</td>
<td>2001</td>
<td>2002</td>
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</tr>
<tr>
<td>Iokimoglou 2002</td>
<td>individual-level data</td>
<td>marital status, nationality, overtime, shift, supervision</td>
<td>0.29</td>
<td>76%</td>
<td>0.07</td>
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<tr>
<td>Spain</td>
<td>Ribaud and Iglesias (1989)</td>
<td>Survey on Gender Discrimination</td>
<td>0.19</td>
<td>30%</td>
<td>0.13</td>
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<tr>
<td></td>
<td>Caillavet (1990)</td>
<td>Survey of Living and Working Conditions (1985)</td>
<td>0.40</td>
<td>42%</td>
<td>0.23</td>
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<tr>
<td></td>
<td>De la Rica &amp; Ugidos (1995)</td>
<td>Survey on social biography</td>
<td>0.17</td>
<td>-14%</td>
<td>0.19</td>
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<tr>
<td>France</td>
<td>Meurs and Ponthieux (2000)</td>
<td>1997 survey ‘Young people and careers’</td>
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<td></td>
<td>Lemiere et al 1999</td>
<td>1992 pay structure survey (3-sectors)</td>
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<tr>
<td>Italy</td>
<td>ITER (2001) – CNPO Report</td>
<td>ECHP, all years</td>
<td>0.25</td>
<td>24%</td>
<td>0.19</td>
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<tr>
<td></td>
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<td>SHIW, all years</td>
<td>0.20</td>
<td>20%</td>
<td>0.16</td>
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<tr>
<td>Luxembourg</td>
<td>Lejealle 2001</td>
<td>ESES</td>
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<td>Netherlands</td>
<td>Spijkerman 2000</td>
<td>Dutch Labour Inspectorate</td>
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<td>SZW 2002</td>
<td>Labour Inspectorate</td>
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<tr>
<td></td>
<td></td>
<td>Firm size, collective bargaining, % PT share</td>
<td>0.85</td>
<td>28%</td>
<td>0.61</td>
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<td></td>
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<td>Firm size, public/private ownership, contract, firm size, average occupational wage</td>
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<td></td>
<td></td>
<td>Firm size, public/private ownership, contract, firm size, average occupational wage</td>
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<td>Wage Index</td>
<td>Online pay survey, 2001-02</td>
<td>Education, experience, PT working, children.</td>
<td>M-share of job, labour contract, collective bargaining</td>
<td>2001-02</td>
<td>72%</td>
<td>0.03</td>
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<tr>
<td>Austria</td>
<td>Boeheim et al (2002)</td>
<td>Age, qualification, highest level of education, years of employment, sector,</td>
<td>Employment status, size of home town, province</td>
<td>1997</td>
<td>18%</td>
<td>0.19</td>
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<td></td>
<td></td>
<td>1983</td>
<td>21%</td>
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<tr>
<td>Portugal</td>
<td>Martins 1998</td>
<td>Education, experience</td>
<td>Firm size, region</td>
<td>1997</td>
<td>54%</td>
<td>0.10</td>
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<td></td>
<td>Kiker and Santos 1991</td>
<td>Education, tenure, experience, qualification, working hours, sector, private/public</td>
<td>Firm size, region</td>
<td>1995</td>
<td>34%</td>
<td>0.19</td>
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<tr>
<td></td>
<td>Ribeiro and Hill 1996</td>
<td>Education, tenure, experience</td>
<td>%F share of occupation, firm size</td>
<td>1992</td>
<td>24%</td>
<td>0.22</td>
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<td></td>
<td></td>
<td>1985</td>
<td>54%</td>
<td>0.13</td>
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<tr>
<td>Finland</td>
<td>Lilja (1999)</td>
<td>Age, banking experience, education, status</td>
<td>Work tasks, job grade, region</td>
<td>1990</td>
<td>86%</td>
<td>0.06</td>
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<td></td>
<td>Employer association panel; 1980-95 (non manual, industry)</td>
<td>3 education levels, career phase, job position, wage group, job category, industry, firm size, mobility, hours</td>
<td>Local region, unemployment</td>
<td>1997</td>
<td>82%</td>
<td>0.09</td>
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<tr>
<td></td>
<td>Lilja (2000)</td>
<td>Age, education, occupation, sector, no. of children</td>
<td>Firm size, region</td>
<td>1990</td>
<td>86%</td>
<td>0.06</td>
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<td></td>
<td>Vartiainen (2001)</td>
<td>Age, education, occupation, sector, no. of children</td>
<td>Firm size, region</td>
<td>1990</td>
<td>86%</td>
<td>0.06</td>
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<tr>
<td></td>
<td>Income Distribution Statistics, Finnish Structural Earnings</td>
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<td>Statistics Sweden (2002)</td>
<td>Age, Education, Working-Time, Sector, Occupation</td>
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<td>1996</td>
<td>53%</td>
<td>0.08</td>
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</tr>
<tr>
<td></td>
<td>Statistics Sweden</td>
<td></td>
<td></td>
<td>1998</td>
<td>50%</td>
<td>0.09</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
<td>56%</td>
<td>0.08</td>
<td></td>
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</tr>
<tr>
<td>Sweden</td>
<td>Statistics Sweden (2002)</td>
<td>Age, Education, Working-Time, Sector, Occupation</td>
<td></td>
<td>1996</td>
<td>53%</td>
<td>0.08</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>1998</td>
<td>50%</td>
<td>0.09</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
<td>56%</td>
<td>0.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>Joshi and Paci 1998</td>
<td>General ability at 11 years, education (5 variables), work history, family</td>
<td>Region</td>
<td>1978</td>
<td>30%</td>
<td>0.22</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Birth Cohort studies (NDRC, MRC), 1978</td>
<td></td>
<td></td>
<td>1991</td>
<td>7%</td>
<td>0.16</td>
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</tbody>
</table>

No significant increase in discrimination; different specifications give discrimination of 66%-81%.

Control for education and experience only. Authors note lack of data on family background, IQ, motivation, unionisation.

Human capital model. Comparable value model. Restricted to hotels and restaurants only.

(career start)

Basic ed
Secondary ed
University ed

Basic ed
Secondary ed
University ed

All Sectors

Human capital model.
<table>
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<tbody>
<tr>
<td>Joshi and Paci 1998</td>
<td>NDRC 1991 (FT only)</td>
<td>background The above variables plus: occupation firm size, public/private, sector, employer financed training provision, flexible hours, supervisory responsibility, union member, female share of occupation, fringe benefits, commuting time</td>
<td>0.18</td>
<td>0.60</td>
<td>38%</td>
<td>0.11</td>
<td>0.25</td>
<td>FFT/MFT</td>
</tr>
<tr>
<td>Harkness 1996</td>
<td>GHS 1974, BHPS 1992-93</td>
<td>Age, educational qualifications</td>
<td>0.20</td>
<td>0.35</td>
<td>10%</td>
<td>0.18</td>
<td>0.29</td>
<td>FFT/MFT</td>
</tr>
<tr>
<td>Harkness 1996</td>
<td>GHS 1974, BHPS 1992-93</td>
<td>Age, educational qualifications, full-time/part-time work experience, industry, occupation, children, union, employer size, region</td>
<td>0.20</td>
<td>0.35</td>
<td>10%</td>
<td>0.18</td>
<td>0.13</td>
<td>FPT/MFT</td>
</tr>
<tr>
<td>Andersen et al 2001</td>
<td>WERS98</td>
<td>Human capital, personal characteristics, job characteristics (occupation, job type, gender segregation, payment system), workplace characteristics (union, size, age, ownership, gender segregation, part-time share, manual share, industry, gender share of industry, competition, local labour market)</td>
<td>0.22</td>
<td>0.16</td>
<td>50%</td>
<td>0.11</td>
<td>0.05</td>
<td>All</td>
</tr>
<tr>
<td>Bell and Ritchie 1997-94</td>
<td>NES Panel, 1977-94</td>
<td>Age, length of time in current job, region, collective bargaining coverage, industry, occupation</td>
<td>0.27</td>
<td>0.19</td>
<td>27%</td>
<td>0.20</td>
<td>0.16</td>
<td>All</td>
</tr>
</tbody>
</table>

Source: National Reports
### Appendix Table 4. Gender-related job evaluation in the EU

<table>
<thead>
<tr>
<th>Country</th>
<th>Job evaluation developments/debate</th>
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<tbody>
<tr>
<td>Austria</td>
<td>Put on the agenda by the trade unions. Some research has been carried out.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Since the late 1990s, the federal government has frequently intervened to urge the social partners to modernise job classifications. Present legislation authorises the government to formulate a certain number of conditions that job evaluation systems must fulfil in order to be gender-sensitive, but so far this has not occurred. The issue has also been covered in recent intersectoral agreements.</td>
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<tr>
<td>Denmark</td>
<td>Job evaluation is discussed as one way of combating the gender pay gap, but mandatory job evaluation has not been considered. In January 2001, the Ministry of Labour published an analysis dealing with job evaluation and equal pay. The conclusion of the analysis is that job evaluation might be a way of narrowing the gender pay gap in Denmark.</td>
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<tr>
<td>Finland</td>
<td>Job evaluation is considered as a tool to narrow wage differentials. The first concrete expression of this approach is the 2001-2 collective agreement for the municipal sector. More generally, the social partners have been drawing up a job evaluation system, which is being implemented at the workplace. The development of this system is an ongoing process.</td>
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<tr>
<td>Germany</td>
<td>In the early 1990s, the former Public Services, Transport and Traffic Union - now part of the Unified Service Sector Union - started a campaign for an upgrading of ‘typically female’ jobs (for example in care and education) and in 1998 set up an ‘upgrading commission’ in order to draw up concrete proposals for ‘gender-fair’ job evaluation within the public sector. In the metalworking sector, the bargaining parties have been negotiating over a modernisation of job evaluation systems, including for example the creation of joint agreements for blue- and white-collar workers. Within this context, the IG Metall metalworkers’ union is demanding a reassessment of various jobs dominated by women.</td>
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<tr>
<td>Luxembourg</td>
<td>Not an issue so far, but job evaluation is an issue dealt with in the 2001-5 action plan on equal opportunities.</td>
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<tr>
<td>Netherlands</td>
<td>Job evaluation is perceived as a possible means by which gender pay equity may be attained. In spring 2000, the Under-Secretary for Social Affairs published research aimed at making pay comparisons gender-sensitive and more objective. In connection with this initiative, the social partners developed a checklist to prevent unequal pay.</td>
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<tr>
<td>Portugal</td>
<td>Job evaluation is seen by researchers and trade unions as an important mean of creating gender pay equity and is a subject of debate. However, its practice has been difficult.</td>
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<tr>
<td>Spain</td>
<td>While the application of an objective job evaluation procedure is seen as an essential means of fighting pay discrimination there is a general lack of agreement on what is understood by the value of work, which makes it difficult to apply the principle of ‘equal pay for work of equal value’. In recent years the public authorities and the social partners have been drawing up proposals to facilitate the detection and correction of pay discrimination, including a ‘Guide to good practices in job evaluation’ published in 2000.</td>
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<tr>
<td>Sweden</td>
<td>The Equal Opportunity Ombudsman issues material about job evaluation and provides consultative support to parties that wish to conduct job evaluations. The issue of value</td>
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discrimination has been brought before the Labour Court on several occasions, but it has rejected most of the cases from the 1990s onwards, stating that it is impossible not to consider 'market-based wages' but in one recent case the Labour Court for the first time accepted the job evaluation methods presented by the employee side.

| UK   | Job evaluation is seen as one means to secure equal pay for work of equal value. There is an increased use of job evaluation in public sector organisations to overcome historical inequalities. A national job evaluation scheme is a core element of the new pay system currently in development in the National Health Service. |

Source: Abbreviated table based on EIRO (2002).
<table>
<thead>
<tr>
<th>Country</th>
<th>Bargaining and agreements relating to gender pay equity</th>
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<tbody>
<tr>
<td>Austria</td>
<td>Only exceptional specific reference to gender pay equity and even then refers to principle of equal pay for same work e.g.: metalworking industry collective agreement</td>
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<tr>
<td>Belgium</td>
<td>In the 1999-2000 intersectoral agreement the social partners agreed to reviews in sectors where the job classification system leads to an absence of equal opportunities between men and women and in the 2001/2 agreement agreed to encourage the use of analytical or equivalent systems of classifying jobs but so far only a few sectors have established study groups.</td>
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<tr>
<td>Denmark</td>
<td>Gender pay equity is not generally an issue of great importance on the bargaining agenda. A 1991 protocol to the latter commits DA and LO to finding ways of tackling the gender pay gap. An additional DA/LO agreement on equal opportunities obliges company-level work councils (cooperation committees) to set up an equal treatment committee. Gender (pay) equity is seldom on the agenda in local bargaining.</td>
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<td>Finland</td>
<td>Recent central incomes policy agreements have had a restraining effect of any widening of the gender wage gap. In 2001/2 an 'equality allowance' – agreed, the amount defined according to the combined proportion of women and of low-paid employees added together within each sector. Aspects of gender pay equity are also be dealt with in some sectoral collective agreements, for example the 2001-2 agreement for the municipal sector provides for new job evaluation procedures.</td>
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<td>France</td>
<td>Gender equality issues generally, and pay equality specifically, have tended to be dealt with by law rather than bargaining. However in 2000 the legal principle of gender equality was articulated for the first time in 10 sectoral agreements and legislation passed in May 2001 will oblige employers at company level to negotiate on defined objectives in the field of gender equality at work. In companies employing 200 or more people, a committee for gender equality at work will have to be set up within the works council.</td>
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<tr>
<td>Germany</td>
<td>Gender pay equity is currently not a major issue on the bargaining agenda and there are no collective agreements that deal explicitly with the issue although some sectoral collective agreements (eg in chemicals or tobacco) cover gender pay equity more indirectly, mostly under the heading of 'equal opportunities'. In addition, there are several works agreements at establishment level (eg at Opel or Frankfurt airport), which sometimes include more concrete measures to improve the employment position and status of women within the company.</td>
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<td>Greece</td>
<td>In general, the concepts of equal opportunities and collective bargaining are not linked. In the 1993 National General Collective Agreement, the contracting parties committed themselves to promoting equal treatment and equal opportunities for men and women, including on the issue of pay. Nine years later, it appears that both the trade unions and the employers' organisations are failing to ensure in practice even that the provisions signed by both sides are implemented.</td>
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<tr>
<td>Ireland</td>
<td>The current national agreement contains a wide range of provisions explicitly and implicitly dealing with gender pay equity and a consultative group examining gender pay differentials was established under the PPF and a national minimum wage with some impact on reducing gender wage differentials was introduced. The PPF also incorporates a framework agreement on equal opportunities at the workplace and a national framework for family-friendly policies. Gender pay equity is yet to emerge as a significant issue within collective agreements at company level.</td>
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<td>Country</td>
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<tr>
<td>Italy</td>
<td>Some collective agreements at both sector and company level contain rules aimed at protecting women from possible wage discrimination in productivity bonuses, which are awarded on an individual basis. Examples are two agreements (in municipal electricity companies and the RAI broadcasting company) that state that such bonuses must be awarded on the basis of a worker's productivity and absences from work, and that compulsory maternity leave does not count as absence from work.</td>
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<tr>
<td>Luxembourg</td>
<td>All collective agreements must provide for the application of the principle of equal pay for men and women. Under legislation adopted in 1999, the social partners are obliged to negotiate the implementation of the principle of equal treatment between men and women in the establishments and/or enterprises where their collective agreements apply. Negotiations must particularly focus on the setting up of an equality plan, and on ways of making the enterprise and its continuing training measures accessible to people wishing to re-enter the labour market after a career break.</td>
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<tr>
<td>Netherlands</td>
<td>In 2000, within the bipartite consultative Labour Foundation (Stichting van de Arbeid, STAR), employers and trade unions agreed an opinion on a government plan for achieving equal pay, which deals directly with pay systems. The partners stated that they will cooperate in the planned government campaigns, ensuring that the information reaches the relevant groups and institutions. In 2001, the STAR developed a checklist on equal pay, serving as the social partners' own instrument for use when implementing, applying or evaluating pay systems.</td>
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<tr>
<td>Portugal</td>
<td>The theme of gender pay equity is presently on the bargaining agenda. Several agreements state the principle of equal pay for equal work.</td>
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<tr>
<td>Spain</td>
<td>Gender pay equity is not an issue in bargaining, and in principle wages should be the same for men and women.</td>
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<tr>
<td>Sweden</td>
<td>Unions - and especially those with many female members - always place claims on gender pay equity and gender equity in general on the sectoral bargaining agenda, though attempts to create specific women's pay 'pots' have been rejected by employers in recent years. There is no specific general bargaining about gender aspects of pay at local level, but legislation requires a local review at company level every year, whereby the local parties should adjust any possible lower pay for female workers (see above under 'Legislation').</td>
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<tr>
<td>UK</td>
<td>Gender pay equity is not generally an important issue on the private sector bargaining agenda (at company or lower level) but has a higher priority in public sector bargaining. 'Equality proofing' of pay systems is increasingly on the agenda in the public sector.</td>
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</tbody>
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Source: EIRO 2002