



The gender pay gap

Background paper

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Introduction

Although collective agreements and minimum wage laws are in principle gender-neutral, women still end up earning less than men. This paper will briefly explore some different facets of the ‘gender pay gap’ issue, based on data collected by the European Foundation for the Improvement of Living and Working Conditions. The data presented below comes from two of the Foundation’s projects: the European Industrial Relations Observatory (EIRO) report *Pay developments – 2005*,¹ and the fourth *European Working Conditions Survey*, due to be published early in 2007.

Since the data is derived from two different sources, the extent of coverage varies, as do definitions of ‘pay’. While not a survey on pay *per se*, the *European Working Conditions Survey* does provide aggregated data on gender disparities in the labour market, offering some interesting cross-country comparisons: some snapshots from it of the gender pay gap will be provided in this paper.

First, the paper will look at differences in hourly wages between women and men. Next, it will present differences in the distribution of net monthly income between women and men. Sectoral gender segregation in the labour market will then be looked at. Following that, pay differentials resulting from gender divisions of working time and the gender time gap will be examined. Finally, the paper will explore the relative importance of individual characteristics and job-related variables as determinants of the position-related pay gap in the labour market in the EU27 (the current 25 Member States plus Bulgaria and Romania).

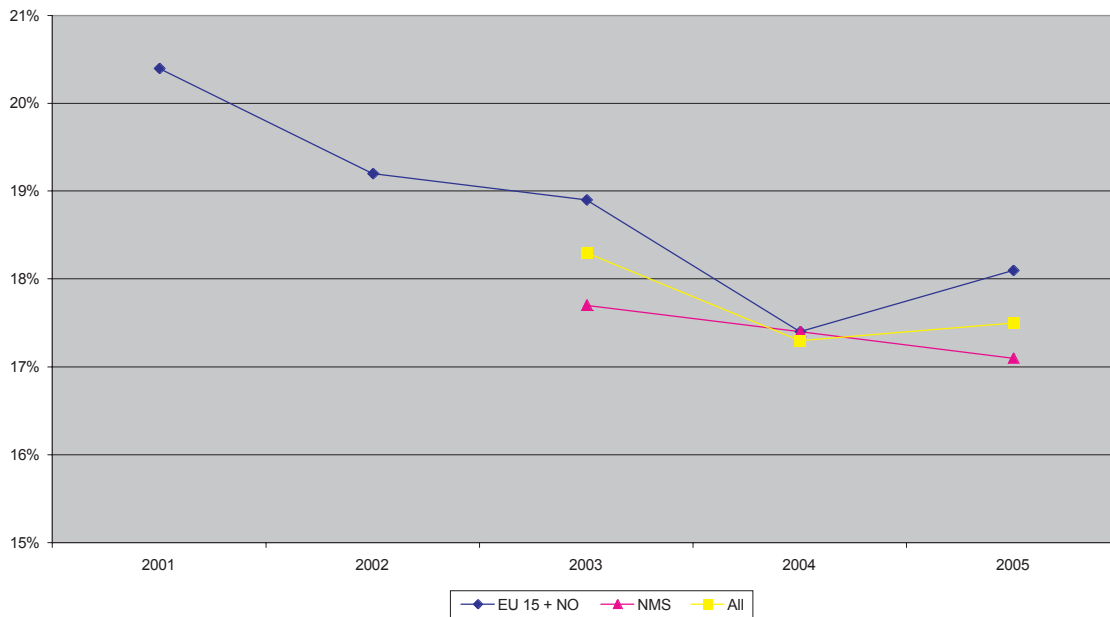
Differences in hourly wages

The update *Pay developments – 2005* includes data on gender pay differentials, in the form of an ‘unadjusted gender pay gap’: the difference between the gross hourly pay of men and women across the entire economy. (The differences in calculation methods and period of reporting are indicated in the report.)

As Figure 1 indicates, quite a wide, although narrowing ‘raw’ hourly pay gap still exists throughout Europe. Narrowing wage disparities are progressing only slowly in the EU15 and Norway: there was a fall of 2.3 percentage points between 2001 and 2005 (from 20.4% to 18.1%). A slight break in the trend is, however, visible in 2004–2005, with the upturn in the hourly pay gap in the EU15. In the new Member States (NMS), hourly pay is somewhat more equal; in these countries, the pay gap oscillated at around 17% over the period 2003–2005.

¹ Available online at <http://www.eiro.eurofound.europa.eu/2006/06/update/tn0606101u.html>

Figure 1: *Unadjusted hourly gender pay gap, 2001–2005*



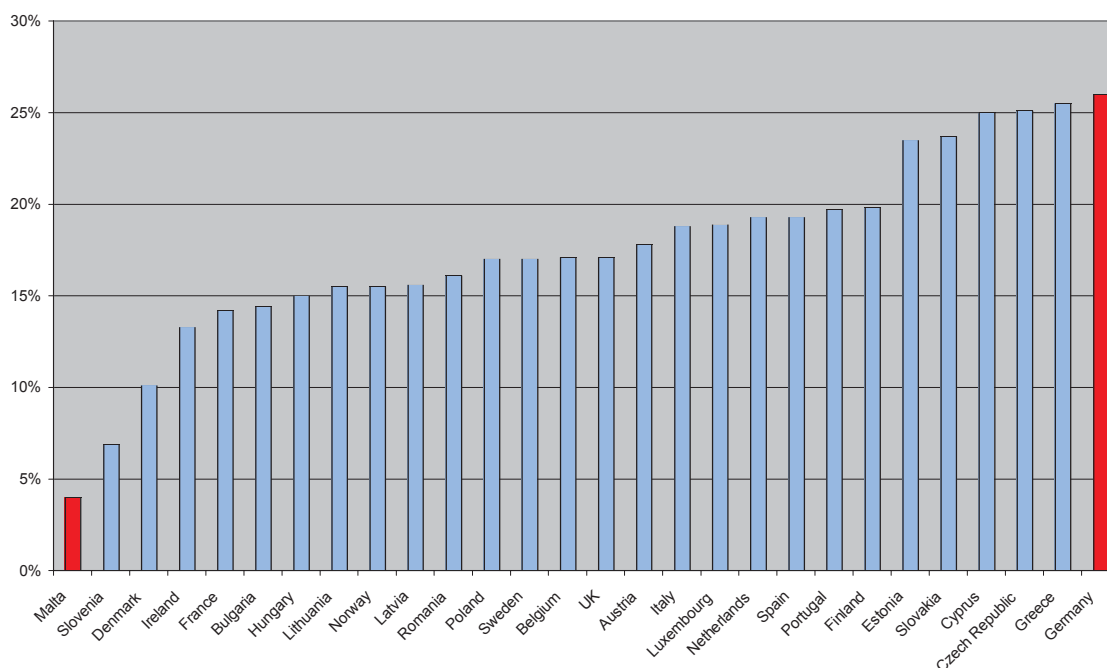
Source: *Collated from EIRO Pay developments updates, 2001–2005*

Yearly upward and downward changes seem to be a feature of gender pay statistics; furthermore, some variations in the figures can be explained by changes in the source, or nature of the data used. Where individual country data is available that spans several years, it often shows small decreases in the gender pay gap – as in Austria, Denmark, France, Ireland and the UK. By contrast, slight increases in the pay gap can be seen in Belgium, the Netherlands and Sweden. However, all such changes should be interpreted with care.

According to *Pay Developments – 2005*, the lowest hourly-wage pay gap is in Malta: the gap is 4% (a woman on average earning 96% of a man’s salary). The widest gap, of 26%, is in Germany. This mirrors the situation reported in the EIRO update *Pay Developments – 2004*, in which Malta and Germany held the same positions.

Other countries consistently reporting relatively narrow gender pay gaps are Slovenia (6.9%), Denmark (10.1%) and Ireland (13.3%), while those with comparatively wide gaps include Greece (25.2%), Cyprus (25%), Czech Republic (25.1%) and Slovakia (23.7%) – see Figure 2.

Figure 2: Unadjusted hourly gender pay gap 2005, by country



Source: *Pay developments – 2005 (EIRO, 2006)*

Differences in income distribution

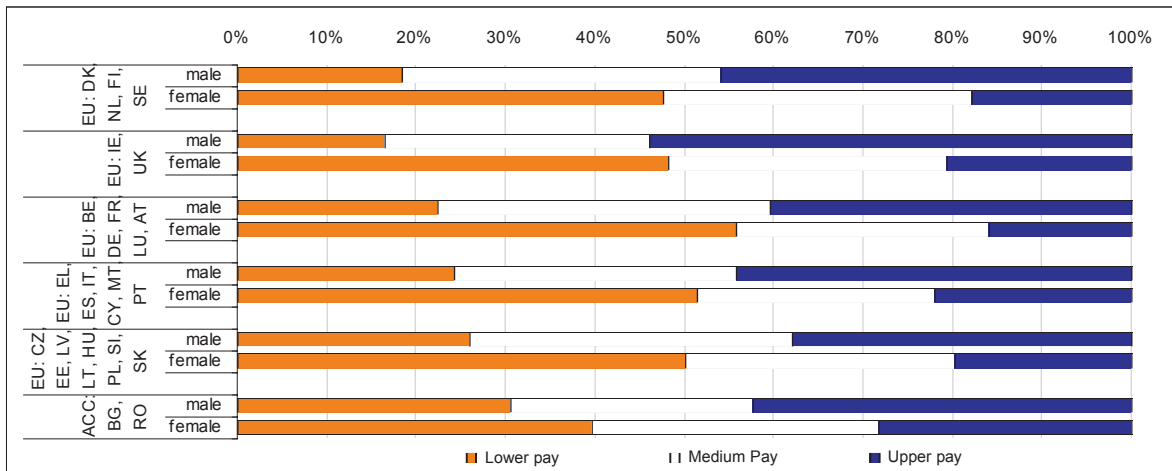
When looking at the data from the fourth *European Working Conditions Survey* of 2005, yet another type of pay gap between the sexes becomes apparent – namely, the unequal distribution of income between male and female workers.

The measure of income being used here should first be explained. Using data for the average net monthly income from the main job, an income scale of 10 deciles has been created. This is designed to match the distribution of earnings as collected by the *European Structure of Earnings Survey 2002*. The income scale reflects the respondent's relative position in the pay structure for each country. A pay gap, as well as a position gap, is thus indicated.

For ease of analysis, the 10-point scale has been converted into a three-point scale denoting lower, medium and upper pay levels (in terms of earnings received from the main paying job). Each respondent is therefore classified according to whether they are in the lower, medium or upper third of the population in their country of residence.

Figure 3, on p.4, illustrates the pay gap in six clusters of countries representing specific welfare models (according to the Esping-Andersen classification): Scandinavian (DK, NL, FI, SV), liberal (UK, IE) continental (BE, DE, FR, LU, AT), Mediterranean (EL, ES, IT, CY, MT, PT), and central and eastern European (CZ, EE, LC, LT, HU, PL, SI, SK), as well as a cluster of the two acceding countries (BG, RO).

Figure 3: Differences in income distribution between sexes, by country cluster



Source: Fourth European Working Conditions Survey, 2005.

Note: Figures are based on self-reported net monthly income, only for employees (EU25 and BG, RO) having worked at least an hour in the week prior to the survey interview.

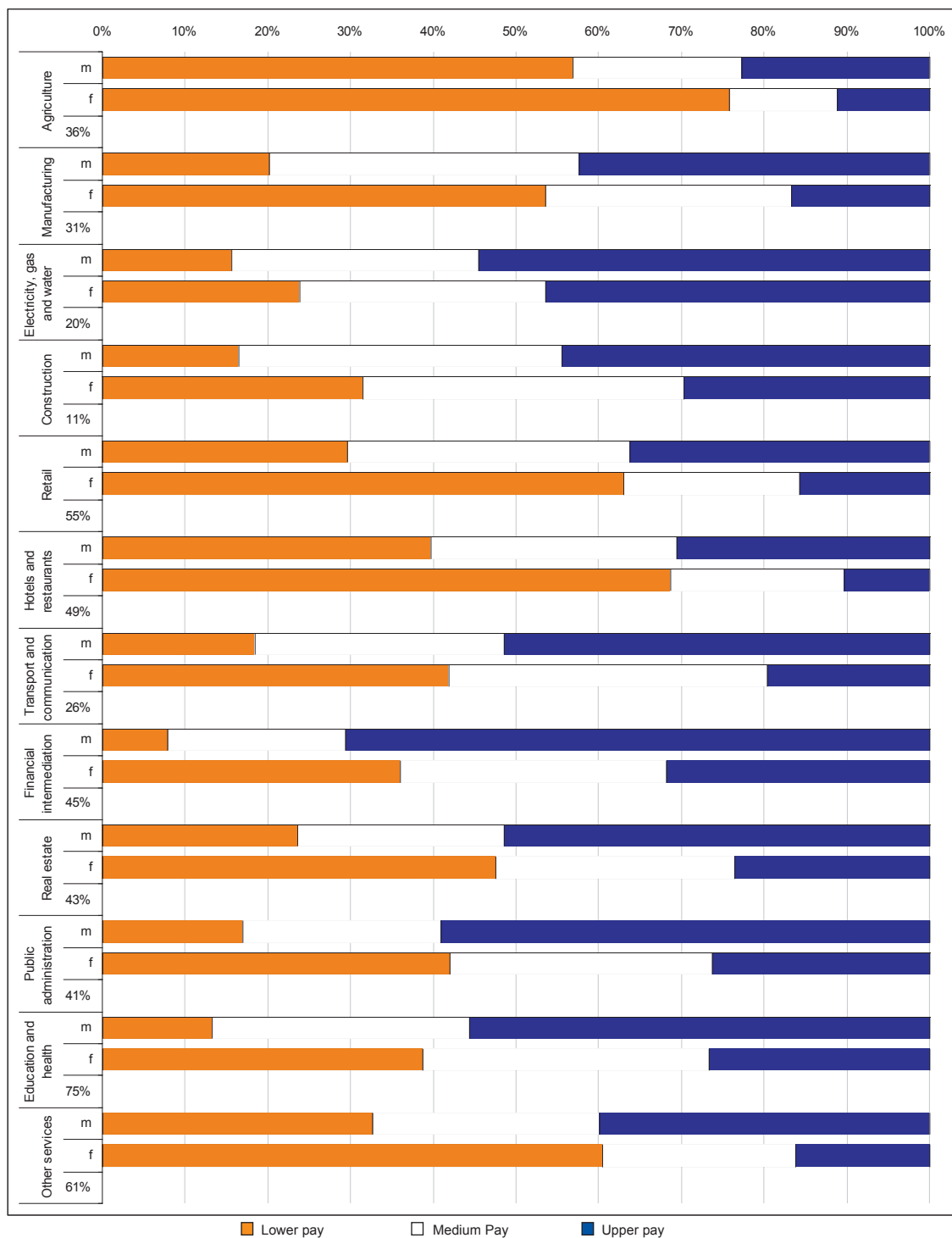
The differences in income distribution are striking. In most of the country clusters, with the exception of Bulgaria and Romania, almost 50% of women are positioned in the lower pay bracket. At the other end of the spectrum, only an average of 20% of women (again, with the exception of Bulgaria and Romania) fall into the upper pay category, compared to twice as many men in that income bracket (40%).

Sectoral gender segregation

According to the results of the fourth *European Working Conditions Survey 2005*, European labour markets are highly segregated: only 26% of Europeans work in mixed occupations, where the workforce is at least 40% female and at most 60% male. In addition, around half the female workforce have jobs in two sectors: 34% of women work in education and health, while 17% work in the wholesale and retail trade. By comparison, half of the jobs taken by men are in three sectors: manufacturing (22%), wholesale and retail trade (14%) and construction (13%).

Figure 4 further illustrates the situation in different sectors. It shows the distribution of low, medium and high pay across genders and sectors and it gives the percentage of female workers employed in each of the sectors. As can be seen, even in those sectors with a large female workforce, such as education and health and the retail and wholesale trade, more men than women occupy the higher pay bracket.

Figure 4: Gender segregation, by sector

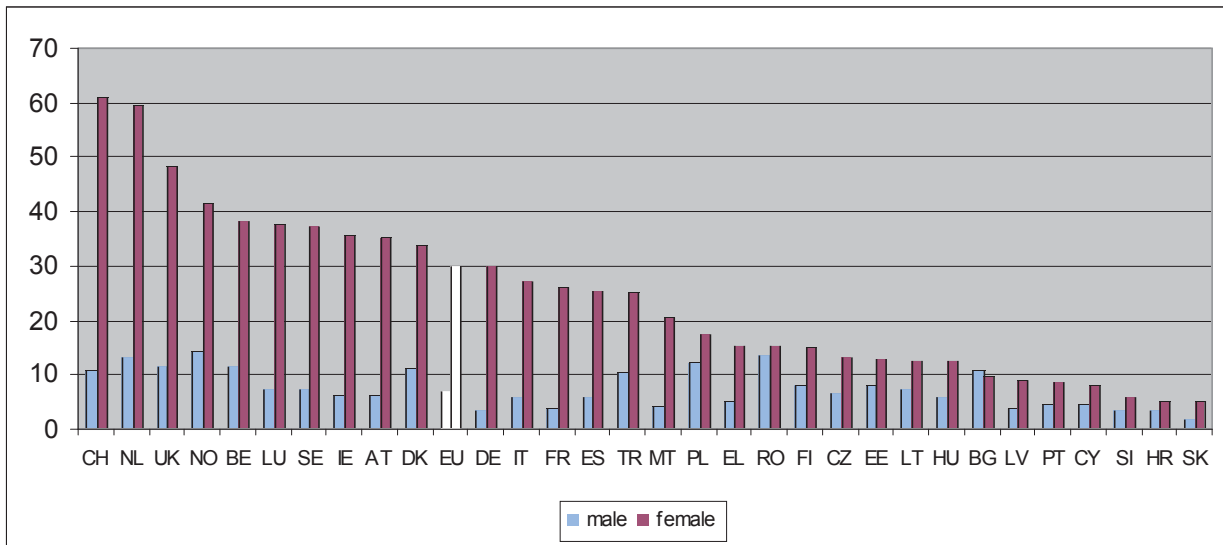


Source: Fourth European Working Conditions Survey (2005)

The gender time gap

The concentration of women in the lower pay bracket can be explained in part by their overrepresentation in part-time positions (see Figure 5), which – as shown in Figure 6 on p.7 – are mostly low paid. The gender time gap is the difference between the contributions to the labour market in terms of working time of men and women. According to the fourth *European Working Conditions Survey*, there is a time gap in the EU27 of 23%: 7% of men work part time, compared to 30% of women.

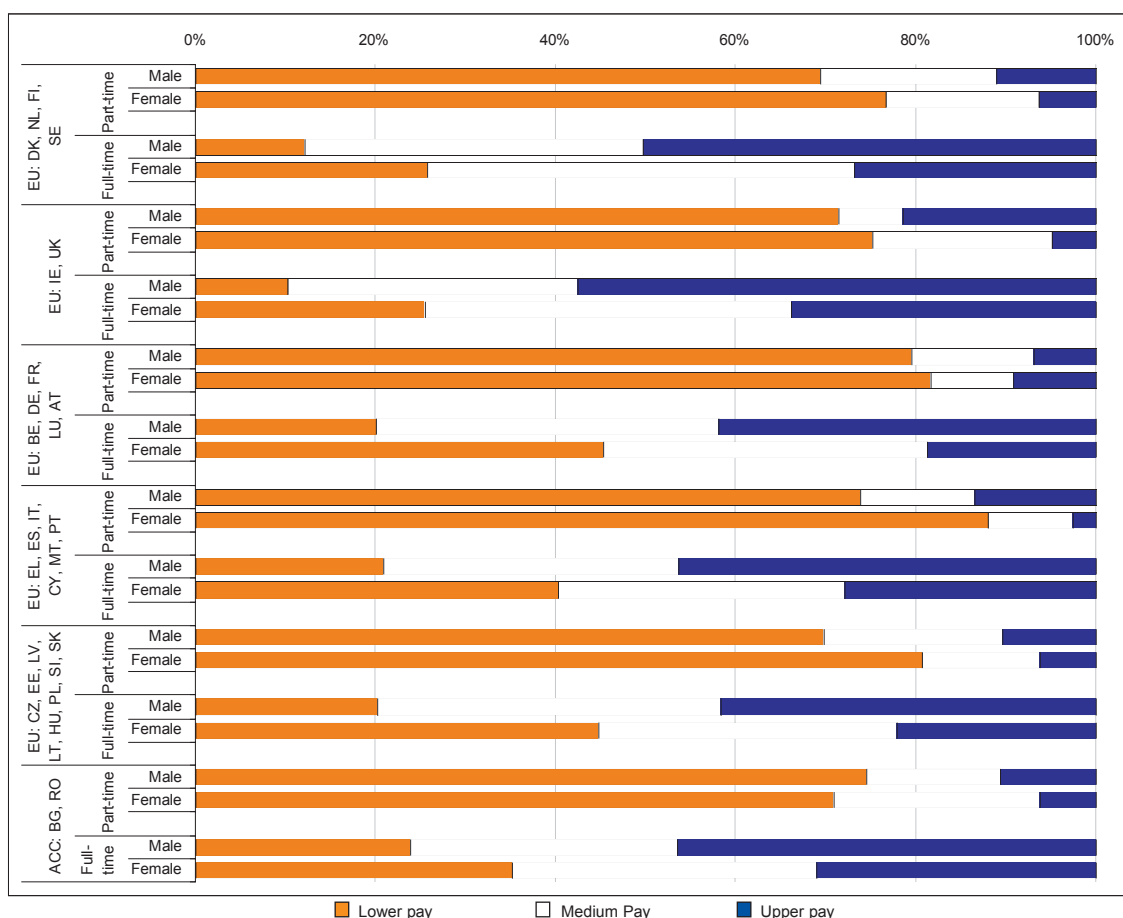
Figure 5: *Extent of part-time work and gender time gap, by country*



Source: *Fourth European Working Conditions Survey (2005)*

The consequences for earnings of working part time are illustrated in Figure 6. In all the country clusters, between 70% and 80% of part-time workers are in the lower pay bracket. However, within the subset of part-time workers, low pay is distributed fairly evenly between men and women; high pay is also quite evenly distributed among a small proportion of men and women working part time (roughly 10%). Ireland and the UK are an exception to this: among male part-time workers, 21% are in the higher pay bracket, compared to 5% of their female counterparts.

Figure 6: Gender differences in pay in EU27, by employment status



Source: *Fourth European Working Conditions Survey (2005)*

Figure 6 further illustrates the differences in pay between men and women in full-time jobs: overall, men tend to be overrepresented in the upper pay bracket, and there are roughly twice as many women as men in the lower pay bracket.

Factors in determining pay

The findings from the fourth *European Working Conditions Survey* were examined to determine the probability of a respondent being in the bottom third or the top third of the income scale. A statistical analysis permitted the study of a range of factors in determining a worker's position on the income scale (while simultaneously controlling for all the others).

The results are highly significant: the chances of a part-time worker falling into the bottom income category are 6.25 times greater than the odds of a full-time worker doing so: this indicates that part-time work is one of the key determinants of risk for being in the lower income bracket. Furthermore, the results also demonstrate that gender has a significant impact on an individual's place in the income scale, even after all other variables have been controlled for. This means that a woman has a significantly higher chance of falling into the lower income category, and a significantly lower chance of falling into the higher income category than has a man with a similar occupation, full-time status, tenure etc. (This data must, however, be interpreted with care as they take relative pay as a dependant variable and are, therefore, very sensitive to the fact that women tend to get lower-paid jobs, even if those jobs have similar characteristics to those taken by men.)

Actions by the social partners

Although issues relating to the gender pay gap are mostly regarded as a matter of national legislation and politics, some aspects of pay equality have been the subject of collective bargaining. There is debate as to whether collective agreements redress or reinforce existing gender pay gaps: while collective bargaining is a good mechanism for identifying and combating discrimination, it can also preserve elements contributing to persistent pay differences.

In principle, the social partners agree that the gender pay gap exists, as was reflected in the signing of the Frameworks of Actions on Gender Equality, a cross-sectoral agreement of the European social partners in May 2005. However, in their capacity as parties to the collective bargaining process, the social partners often disagree on what is the best strategy to follow in order to address the issue – whether compulsory measures, collective regulations or individual arrangements should be adopted.

In general, employer organisations consider legislation and regulation in the area of gender equality as counterproductive, and would prefer tailor-made company-level solutions. Many employers would also prefer to include gender issues as a part of wider diversity policies.

The trade unions, by contrast, tend to prefer regulation to individual solutions. They also tend to take active measures in the field of gender mainstreaming in general and regarding the gender pay gap in particular. Such measures include raising public awareness, conducting research, providing training courses on negotiation for equal pay or training using a model agreement on equal pay. They also implement procedures to combat gender discrimination.

Apart from implementing legislation allowing for equal pay for equal work (or work of equivalent value), the social partners have implemented some ‘proactive’ measures:

- combating the gender pay gap by giving funds to the female dominated/and or low-paid sectors through central level negotiations – for example, in the case of an equality-pay increment included in the national wage agreement in Finland in 2006.
- (re-)evaluating jobs, or classifying the quality of jobs (based on objective criteria with a gender perspective) could lead to a favourable valuation of typically female occupations – for example, the job evaluation methodology developed in Lithuania in 2004;
- promoting voluntary pay audits: in the UK, the Trades Union Congress (TUC) undertook a pilot project in 2003 in which hundreds of workplace equal-pay representatives were trained to address the gender pay gap and carry out pay reviews. An evaluation of the project suggested that it had played a significant part in pushing equal pay up the negotiating agenda and in prompting employers to agree to equal pay audits.
- concluding national intersectoral agreements on gender equality and gender balance in workforce composition, such as the one concluded in France in April 2004: it addresses such matters as narrowing the gender pay gap, preventing maternity leave from adversely affecting women’s career development, and tackling labour market segregation.

More information on the actions of social partners in the field of gender equality will be published in early 2007, in the report *Comparative study on gender and career*.

Conclusions

Differences in pay for men and for women are prevalent throughout Europe. As shown in this paper, women tend to have lower hourly wages than men. Moreover, women tend to be segregated in the labour market into certain sectors, and a vast majority work in part-time jobs, which are often low paid.

There are further labour-related consequences for women resulting from the gender pay gap that accumulate over the course of a lifetime. Due to the part-time nature of their work, women may not be covered by the collective agreements in which yearly wage increases are negotiated for their full-time counterparts. Furthermore, lower wages translate into lower social security and pension contributions, and perhaps less access to supplementary pension schemes.

Although the social partners have taken some action to further greater gender equality, the issue could still be higher on the collective bargaining agenda. Perhaps a facilitation of the conclusion of a framework agreement at the European level could hasten that process and lead to real action. In addition, it could be examined how best practice in promoting gender equality in the public sector could be transferred to the private sector in a meaningful way.

Further research needs to be done to enable a better understanding of women's early career choices, to determine what attracts women to certain occupations and sectors. In addition, it would be interesting to see which particular skills and personal characteristics are attractive to employers who offer higher pay, and from that work towards facilitating young women in developing these skills.

Finally, more research examining the dynamics of the gender pay gap over the life course would help to determine where the pay gap starts and how it impacts on other policy areas, such as education and social and personal services.

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