

# **Analysis Note: The Gender Pay Gap in the EU – What policy responses?**

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## **EXECUTIVE SUMMARY**

The gender pay gap captures enduring gendered inequalities that exist on the labour market and in spite of more than thirty years of equal pay legislation the gap between male and female earnings remains remarkably resilient across all Member States. Recent European advances in the methodology for measuring the gender pay gap only serves to underline the persistence of the disparity between women and men's pay, with women in Europe, on average, earning approximately 18% less per hour than men. This disparity resonates across monthly and annual earnings, and subsequently into lifetime earnings and pension entitlements.

While equal pay legislation outlaws paying women and men differently for the same job or for work of equal value, the gender pay gap remains due to direct or indirect discrimination that may persist despite the law and because of the variety of ways in which women and men's labour market participation differs. These differences in participation include the segregation of women and men into different parts of the labour market with different rewards, the vertical segregation of women and men into different positions in organisational hierarchies, the impact of the uneven division of domestic work, the impact of women's concentration in non-standard jobs and the impact of innovations such as 'new' individualised pay systems that increase pay diversity among employees at similar levels while also reducing transparency.

Since the gender pay gap captures these multifaceted differences in gendered participation patterns it thus requires a multifaceted approach to address these inequalities. A common legislative framework needs to be complemented with active enforcement and a range of policies on different fronts. The potential rewards of addressing these multiple inequalities may be self-propelling and promote gender equality and value women's contributions in European labour markets.

The European Commission has provided significant leadership over recent years creating an impetus to address the gender pay gap with the prominent position of pay inequalities in the European Employment Strategy and the Roadmap for equality between women and men. The European Commission's 2007 Communication on the Gender Pay Gap and progress on improving measurement mark a new phase of activities leading to a 2009-2010 information campaign on the gender pay gap in each Member State. However, the diversity at the national and sectoral level means that a multi-level approach is needed to fully address gender pay inequalities. In addition to active enforcement, Member State initiatives are needed to complement the existence of European-wide legislation and also build on European leadership and future EU-level initiatives.

The need for a multilevel approach provides the opportunity for innovation and sharing of good practice at the Member State level and in this Analysis Note we identify five groups of policies that offer a potential way forward;

- By **creating obligations** on organisations – both public and private – responsibility for addressing the gender pay gap is spread throughout society with a positive obligation for action being more productive than a reactive approach to individual complaints.
- Women are more likely to be low paid so **addressing low pay** both addresses overall inequalities as well as the gender pay gap, while also dealing with an important job quality issue for women.
- **Promoting transparency** at the organisational level is a simple method to highlight inequalities that are often hidden by individualised pay arrangements and secrecy agreements.
- Adopting **New Mechanisms** against the gender pay gap – such as targets that have been useful in other policy areas – offers a means to focus the attention and action, and promote progress.
- The development of '**local champions**' provides a means to deal with national or sectoral diversity but also adds impetus in the drive to tackle the gender pay gap at all levels.

This multi-level, multi-faceted approach requires strong EU leadership in coordinating policies (i.e. targets) and promoting good practice, combined with the active engagement of Social Partners and non-governmental organisations. The major steps forward in equal pay of the 1970s were achieved by action at all levels – regional, national and European – and that is perhaps how the next steps forward against the gender pay gap in Europe will also be made.

## **1. INTRODUCTION**

The gender pay gap captures the enduring gendered inequalities that exist on the labour market. Although there has been more than thirty years of equal pay legislation the gap between male and female earnings has remained remarkably resilient and is present across all Member States regardless of the overall level of female employment, welfare models or their own national histories of equality legislation (Losko et al. 2009). Recent advances in the methodology of assessing the extent of the gender pay gap have only served to underline the persistence of the disparity between women and men's pay, with women on average in the EU currently earning approximately 18% less per hour than men.

The persistence of the gender pay gap does not, however, mean that the equal pay legislation has been ineffective: it is rather that measures to eradicate male and female wage gaps require more significant changes in labour market behaviour. Equal pay initiatives in the 1970s led to a marked improvement in pay equity in Advanced Industrialised Countries (Whitehouse 2003; Dex et al. 2000) but since then progress has been slow. Equal Pay legislation was an important first step in ironing out gender pay inequality (Heide 2001) and addressed the problem of “breadwinner's wage for men and a pin money wage for women working the same jobs” (Zeigler 2006:213). Since the gap itself captures both discrimination and the impact of the differences that exist between women's and men's labour market activity, the differential valuation of these different participation patterns need attention in order to address pay inequalities. Furthermore these inequalities multiply over the life course and so reinforce gender disadvantages from a single point to accumulate over the life course. Action therefore needs to be broad and at many levels, while building on legislative foundations from the 1970s.

The Equal Pay legislation (former article 141 and in the ‘Equal Pay Directive’ 1975 or EU directive 75/117) can be seen as a triumph in establishing the principle of Equal pay for work of equal value across all Member States (Gold 2009) and embodies the equality principles of the founding treaty (Heide 2001). In practice the implementation has required the evaluation of the value of women's and men's jobs and these systems have not necessarily been value free and may inhibit progress towards equality. As with any legislative development the implementation has been shaped by systems of national rules and norms. However, the nature of the gender pay gap means that the presence of a common legislative framework needs to be complemented with multi-faceted policies to address wage disparities. While the challenges of job evaluation can be used to explain some of the slow rate of change in the gender pay gap, the inequalities created by wider labour market processes need a more comprehensive approach. In this sense dealing the gender pay gap is a challenge since it requires work on many fronts but, at the same time, the rewards may then be self propelling: as Whitehouse (2003:127) points out “improvements would feed positively into the circular process through which different manifestations of gender inequality reinforce each other”.

Heterogeneity at the national and sectoral level is another reason for adopting a multi-level approach to address the gender pay gap. Member State initiatives can thus complement the existence of European-wide legislation and also build on European leadership such as that provided by the 2007 European Commission's Communication on the gender pay gap and most recent awareness raising campaign. This multi-level, multi-faceted approach requires strong EU leadership in coordinating policies (i.e. targets) and promoting good practice, combined with the active engagement of various actors. The EU can also provide a framework for the active engagement of the European Social partners in maintaining pressure for progress at all levels and promoting good practice.

This Analysis Note explores the Gender Pay Gap in the European Union and the policy responses and initiatives available for the future. After this introduction the second section provides a background to the gender pay gap and the issues. The third section reviews recent progress at the European level before the fourth section outlines the options for a multi-level, multi-faceted approach to complement European-wide strategy. The fifth and concluding section brings together these policy options and outlines the principles for addressing the gender pay gap in the EU27.

## **2. GENDER PAY GAP: THE ISSUES**

The Gender Pay Gap is both a simple and complex term - simply measuring the gap between male and female pay whether hourly, weekly, or monthly and just one aspect of a wider picture of gender inequities (Wajcman 2000) but also capturing the complex processes on the labour market that lead to women's disadvantage (CEC 2009a: 8-9). These processes include...

- sex segregation, and stereotyping processes, that confine women and men to different parts of the labour market with different rewards – in short the undervaluing of women's work.
- The vertical segregation of women and men into different positions in organisational hierarchies, including through discriminatory processes.
- The impact of the uneven division of domestic labour on the ability of women and men to devote time to careers and labour market work – both part-time work and time out of the labour market on leave impact upon current and lifetime earnings profiles.
- The impact of women's concentration in non-standard jobs where pay is lower and career prospects weaker.
- The impact of organisational innovations such as 'new' individualised pay systems which increase pay diversity among employees at similar levels while also reducing transparency.

The segregation of women and men into different types of job is an important factor explaining the persistence of the gender pay gap. While legislation might rule out paying women and men differently while they do the same job or a job of equal value, when women and men are grouped into different sectors and occupations the opportunity for differences in remuneration expand. Non-discriminatory pay can exist alongside a gender pay gap as long as women and men are not evenly distributed across high and low-paying sectors and occupations (Robinson 2001:158). Since the men and women are frequently found in different jobs the gender pay gap captures the different valuation of these roles. This segregation of job opportunities into male and female areas also captures the roots of gendered disadvantage on the labour market – the fact that women and men are often operating in quite different labour markets where the rewards are also quite different. Many studies show that female-dominated jobs, particularly those in caring professions and those with ties to childrearing or domestic activities, are consistently undervalued (e.g. : Colgan and Ledwith 1996).

In feminised sectors men tend to be over represented in top jobs (for example, teaching Healy and Kraithmen 1996) and sectoral analysis of earnings and employment show that men dominate the higher paying jobs even in female-dominated sectors (EuroFound 2006: figure 4). The impact of the undervaluation of women's work can be seen in the effect on wages of working in a feminised sector. Allen and Sanders (2002) find that, even when other factors are controlled for, working in a sector where women predominate reduces individual pay levels across 12 countries (including six European Member States). They find that this feminised-sector effect had the second strongest impact – being a woman had the strongest negative effect on wages. Similarly Huffman (2004) for the United States also finds that female-dominated jobs pay less than comparable male-dominated jobs but also the wage penalty for women is greater within female-dominated jobs. Even where organisations value the contribution women make, norms and customs may mean that skilled, female employees are not paid as much as their male counterparts (Dex et al 2000). From across Europe there is evidence of within occupation pay differentials in jobs from painters (Clarke et al 2005:168) to solicitors (Wass and McNabb 2005).

The impact of parenthood on the gender pay gap is clear with part-timers much more likely to be low paid than full-timers (Eurofound 2006: figure 3), pay gaps for single women and men under 30 are much smaller than for older groups (Dex et al 2000) and the gender pay gap between female part-timers and male full-timers is wider than among full-timers (Grimshaw and Rubery 2001: table 3.5). In the UK, national data show that the pay gap has narrowed since 1997 with the full-time pay gap now standing at 17.2% but at the same time the part-time gap remains at 35.6% (Fagan 2008). As well as the lower pay associated with

working part time, parenthood – or more particularly motherhood – impacts upon the gender income gap over the lifetime through the ‘costs’ of years out of the labour market and reduced hours while working part time (Grimshaw and Rubery 2001). However, the impact of these elements on life time earnings does vary between Member States depending on the level of support afforded to working parents (Joshi and Davies 1992). Working part time does not only impact upon mothers of young children and it is all women in part-time work who are impacted upon by the often low valuation of part-time work. The non-coverage of short part-time work in some national definitions (but not in the case of the harmonised European data) – for example less than 15 hours per week in Member States such as Germany (BMFSFJ 2009) – also excludes women and particularly women likely to be low paid, marginalised and outside the protection of collective agreements. Working part-time is one of the key factors impacting upon the size of the gender pay gap with part-timers in Europe 6.25 times more likely to be low paid than full-timers (EuroFound 2006:7). However, there is no clear relationship between the level of part-time work and the impact of part-time work on the gender pay gap but in some countries this impact is particularly strong, for example the UK (Grimshaw and Rubery 2001: table 3.5).

The challenges of addressing the gender pay gap can be illustrated by the risks of promoting flexible working to retain employees with caring responsibilities. Flexible working can both promote more continuous employment patterns for women but also place them at risk of lower hourly pay associated with non-standard jobs. Smithson et al.’s (2004) study of flexible working among UK accountants shows the negative impact on pay and promotion of choosing flexible working time and how such policies may reinforce the gender pay gap in such working climate. These gaps in wages reinforce themselves over the life course in terms of gaps in older-age poverty (CEC 2009a) and in wealth and assets (Warren et al 2001). Furthermore even as women progress up the hierarchy there is no evidence to show that these gender gaps close (Huffman 2004; Macalister 2007).

### **Measurement**

At EU level, the gender pay gap is defined as the difference between men's and women's hourly pay divided by men’s hourly pay. It is the difference between men's and women's average gross hourly earnings which tends to be used and it relates only to paid employees. By using the gross hourly pay the gender pay gap measures reward on the labour market independent of any impact from taxation (BMFSFJ 2009). However, the impact of taxation systems based on a legacy of male breadwinning means that women may be penalised not only by lower pay but also by higher tax rates as they are subject, in many cases, to a marginal tax rate derived from their higher-earning partner or husband rather than their own income (Bettio and Vershchagina 2009).

The so-called unadjusted measure of the gender pay gap used in European statistics captures the overall or raw gap in men’s and women’s hourly wages. Some of this gap can explained by observable characteristics of male and female employees – these include differences education, labour market experience, type of job and company characteristics. Adjustment for these observable characteristics reduces the gender pay gap but does not eliminate it and large differences remain. Furthermore many of these observable characteristics are also sources of disadvantage and indirect discrimination (CEC 2003) – such as women’s concentration in lower paying occupations, sectors and firms or the risks associated with working part time. The impact of adjustment also varies across Member States – in the case of Ireland the adjusted gap falls to 8% compared 22% (Callan et al. 2009) while in Belgium adjustment leaves 54% of the gap unexplained (IEFH 2009). Similar work, using the European Community Household Panel Survey, across more European countries confirms that the adjusted gender pay gap generally “only accounts for less than half” of the overall gap (CEC 2003:4).

Although the gender pay gap measure is widely used there are some important points worth noting to help interpretation and comparisons – not least consideration of what is included in the hourly measure and the use of a male comparator as the benchmark. Firstly, hourly earnings are used to avoid the impact of women and men working different number of hours – a pay gap would arise simply because of the proportion of

women working part time. However, even comparing hourly earnings can run into problems since these will exclude bonus and seasonal payments that may enhance the incomes of full-time, year-round workers yet go unrecorded (BMFSFJ 2009). On the other hand, the increase in unpaid overtime can effectively reduce the ‘hourly pay’ of long-hours full-time jobs below the official hourly rate thus depressing pay gaps; although the overall rewards and status associated with full-time work will remain higher than that for part-time work with no unpaid overtime (Whitehouse 2003:).

Secondly, by using the male hourly wage as the comparator there is an implicit assumption that the male wage is the “fair” wage and the norm and while there is no case for a levelling down of male wages to create wage parity, downward trends in male wages could improve the measured gender pay gap with little or no improvement in women’s pay (Whitehouse 2003). This was the situation in the United States in the 1980s and 1990s where falling real pay for men explained more of the closing gender pay gap than advances in female pay (for example Mishel et al. 2003). These wider trends in pay also impact upon our interpretation of patterns over time for the gender pay gap and it is important to be aware of these when interpreting any changes in the size of the gender pay gap. For example, falling real wages for men can lead to an improving gender pay gap rising wage inequality can widen (or limit progress on) the gender pay gap. This so called ‘swimming-up-stream’ effect has been noted in a number of countries where women have made progress in terms of occupational attainment, qualifications and experience but where the full impact on the gender pay gap has been undermined by widening wage inequality (Grimshaw et al. 2001). These shifting wage distributions mean that it is important to recognise change at different income points across the wage distribution rather than averages alone (Whitehouse 2003). Thus trends in the gender pay gap are subject to wider changes in the labour market as a whole including rising inequalities, growth of non-standard jobs, increases in low pay and falling levels of unionisation.

Thirdly, Whitehouse (2003) additionally points out that gender pay gaps also reflect cross-national differences in wage structures so that women’s concentration in lower end of the pay distribution will produce larger pay gaps where wage inequalities are also high (Robinson 2001). Using the European Working Conditions Survey and clustering Member States into different welfare groupings the European Foundation shows how more than 50% of women are in the lower third of the earning distribution compared to just 20% in the upper third (the figure for men in the upper third was 40%)(EuroFound 2006: figure 3). Thus wider issues of ‘wage fairness’ complicate the utility and meaning of the gender pay gap and should inform our interpretation (Whitehouse 2003:126).

### **Data**

Another area where interpretation of the gender pay gap needs some care relates to methodological issues of making comparisons across countries. One of the challenges in addressing the extent of the gender pay gap in the EU has been the lack of suitable comparable data. One of the recent concrete outcomes of the European Commission’s action against the gender pay gap has been the efforts of Eurostat and the Member States to improve the methodology used to calculate the gender pay gap in the EU (CEC 2009a:16). Indeed after the disappearance of the European Community Household Panel survey (and its replacement by EU-Survey on Income and Living Conditions) heterogeneous national data had been used to calculate the gender pay gap for EU Member States. Instead of a mix of various national sources, an EU harmonised source (Structure of Earnings Survey) is now used every four years, with the support of comparable national sources for the intervening yearly estimates. The improved methodology will aid the analysis of trends in the pay gap in future.

It should be noted that the apparent increase in the gender pay gap – from 15% previously quoted under the old methodology to 18% in 2008 with the new one (see table 1) – does not correspond to an increase in the indicator but is rather the result of the change in methodology (CEC 2009a:16,24). Similarly more recent short-term variations in data are likely to be the result of methodological changes rather than trends in the gender pay gap (EuroFound 2008; 2009:24). The use of the Structure of Earnings Survey is a considerable improvement on previous measures for Member State comparisons. Prior to the change, the gender pay gap

measures in the ECs Compendium of indicators for the European Employment Strategy related to 2001 and were based on the now-discontinued ECHP Survey (CEC 2009b). A glance at previous years' Compendiums for the Employment Strategy shows that data are frequently unavailable or provisional for a number of Member States (op cit: tab 18.M2).

Comparative analyses of trends in the gender pay gap have been difficult to analyse since the availability and comparability of data have been problematic and at the national level data problems can also hamper the analysis of the trends in the gender pay gap. Indeed even within one Member State the inadequacies of measures mean that a variety of levels, and even trends, for the gender pay gap can be identified depending on the data, method of measurement and model used (for example in Austria, Maierhuber 2008). In Greece, one assessment suggests that it is impossible to establish long-term in the gender pay gap due to breaks in the data series (Karamessini 2008). Unfortunately difficulties with the data do not disguise the persistence of the gender pay gap both in the two dataset compiled by Eurostat and the available national data.

Even with the new methodology for European level data there are potential difficulties likely to affect the measurement of the gender pay gap. The Structure of Earning Survey does not necessarily cover areas where women's employment tends to be concentrated – smaller firms and in some Member States the public sector (Eurostat 2009). The exclusion of employees in firms with less than ten employees is likely to underestimate the gender pay gap in the Structure of Earning Survey since firm size has a negative impact on pay, particularly for women (Eyraud and Vaughan-Whitehead 2007). The public sector will be included from 2010 but for now is not necessarily included in the SES data for all Member States (Eurostat 2009).

### ***The Current Picture***

Looking at these most recent data we find that the 18% figure for the EU in 2008 extends from over 30% in Estonia (2007 data) with nine Member States reporting gaps of 20% or more (table 1). Italy recorded the lowest gap 4.9% and was joined by five other member states with gaps below 10%. These most recent data confirm the stability of the gender pay gap and the wider annual variations in some Member States are more likely to be related to methodological issues than short-term changes in the underlying structure of women's and men's wages (table 1). From other sources, we also find that the gender pay gap is slightly higher among Member States that have recently joined the European Union when compared to the EU15 grouping of countries; the gap in NMS12 averaging at 18.6%, 3.6 percentage points higher than for the EU15 (EuroFound 2009: figure 7). While the revised levels of the gender pay gap make cross-country comparison easier, determining trends with the improved data set may need the consideration of a series of more than two years so the rising gender pay gaps in eleven Member States for the period 2006-07 and unchanged gaps in eight need more time to be considered in the longer run with such as new data set.

The low reported gender pay gaps in Member States with low female employment rates – Italy and Malta – are the result of a 'selection effect' whereby the low proportion of women working is dominated by higher educated women with strong attachments to the labour market. The risk for Member States such as these is that increases in the female employment expand the proportion of women working in lower-paid work and thus increase the gender pay gap.

***Table 1: Gender Pay Gap in the European Union***

	Comparable Structure of Earnings Survey				National sources						
	2002	2006	2007	2008	2000	2001	2002	2003	2004	2005	2006
EU27	:	17.7	17.6	18.0	16	16	16s	15	15	15	15s
EU15	:	:	:	:	16	16	16	16s	15rs	15s	:
BE	:	9.5	9.1	9.0	13	12	:	:	6b	7	7p
BG	18.9	12.4	12.4	13.6	:	22r	21r	18r	16r	15r	14
CZ	22.1	23.4	23.6	26.2	22	20	19	19	19	19	18
DK	:	17.6	17.7	:	15	15	18b	18	17	18	17
DE	:	22.7	23.0	23.2	21	21	22b	23	23	22	22

EE	:	30.3	30.3	:	25	24	24	24	24	25	:
IE	15.1	17.2	17.1	:	19	17	:	14b	11p	9p	9
EL	25.5	20.7	21.5	22.0	15	18	17	11b	10	9p	10
ES	20.2	17.9	17.1	17.1p	15	17	21b	18	15	13p	13
FR	:	15.4	16.9	19.2p	13	14	13	12b	12	12	11p
IT	:	4.4	5.1	4.9	6	6	:	:	7p	9	:
CY	22.5	21.8	23.1	21.6p	26	26	25	25	25	25	24p
LV	:	15.1	15.4	13.4	20	16	16	16	14br	16r	16
LT	13.2	17.1	20.0	21.6	16	16	16	17	16	15	16
LU	:	10.7	12.5	12.4	15	16	17	15	14	14	14
HU	19.1	14.4	16.3	17.5	21	20	16	12r	14r	11	11
MT	:	5.2	2.4	9.2	11	9	6	4	4	4	3
NL	18.7	23.6	23.6	:	21	19	19	18	19	18	:
AT	:	25.5	25.5	25.5	20	20	:	17b	18	18	20
PL	7.5	7.5	7.5	9.8	:	12	11	11	10	10	12
PT	:	8.4	8.3	9.2	8	10	8	9	5b	9	8p
RO	16	7.8	12.7	9.0	17	18	17	18	14b	13	10
SI	6.1	8	8.3	8.5	12	11	9	7p	8	8	8p
SK	27.7	25.8	23.6	20.9	22	23	27	23	24	24	22
FI	:	21.3	20.0	20.0	17	17	20b	20	20	20	20
SE	:	16.5	17.9	17.1	18	18	17	16	17	16	16
UK	27.3	24.3	21.1	21.4	21	21	23b	22	22	16r	21

Note: 1) Difference between men's and women's average gross hourly earnings as a percentage of men's average gross hourly earnings (for paid employees).

2) b=break in series; p=provisional value; r= revised value; s=eurostat estimate; : = not available

Source CEC 2009b; table 18M2; Eurostat 2010

Where longitudinal national data are available we see a mixed picture. For example, the European Foundations' review of pay developments for 2008 notes falling gender pay gaps in Austria, Denmark, Latvia, Lithuania, Luxembourg and Malta but rising gaps in Bulgaria, Czech Republic and the UK (EuroFound 2009). The rising gaps demonstrate that although the gender pay gap has been resistant to downward pressure there remains the real risk of an increasing gap as many trends on Europe labour markets – rising inequality, increased part-time work, new pay systems, etc. – could enlarge gender inequalities. Recent work for the EGGE Network has found rising gender pay gaps in a number of countries, for example...

- In Austria the EU-SILC data show that gender pay gap has widened since the mid-1990s, mainly as a result of the surge in female part-time employment (Maierhuber 2008).
- National data for Belgium show a falling gender pay gap since the 1980s but also that immigrant women earn a further 10% less than Western European women.
- After some gains against male pay, the gender pay gap in Hungary has opened up again with worsening earning conditions of the public sector.
- In Bulgaria a downward trend in the gender pay gap is beginning to address inequalities but there is a continued lack of respect for legal norms around equal payment, particularly among employers in private sector, and micro and small firms.
- In Portugal in national data for the private sector may be more reliable in terms of methodology and continuity; according to this source women earned 75.3% of men's gross monthly earnings in 2005 and 74.6% in 2006. This slight widening of the pay gap can be attributed to the higher increase for male wages.

On the other hand national data for Lithuania show that since 2000 the pay gap between men and women has narrowed. In 2006 the average wage for women in the public sector was 17.9% lower than for men while in the private sector women earned 19.1% less while the greatest difference was in the finance sector (41.8% for 2006).



### 3. EUROPEAN DEVELOPMENTS AND LEADERSHIP

The European Commission has been a key player in promoting equal pay in Europe and although there has been an absence of hard legislation in addressing the gender pay gap since the major steps forward in the 1970s there has been continued pressures to address the factors affecting the gender pay gap in EU Labour markets. As in other policy areas, the Commission can be regarded as “a promoter and an impresario as much as legislative leaders” with the ability to set agendas and promote dialogue (Hine 1998:8). The renewed efforts against the gender pay gap at the European level under the Roadmap for equality between women and men (CEC 2006a) marks an opportunity to make another step forward, though perhaps not as dramatic as that made in the 1970s. Badger (2009:92) describes these coming decades as one for “consolidation” rather than radical developments yet the challenge for those wishing to address the gender pay gap is to mobilise available resources, mechanisms and institutions to address the underlying processes that explain the persistence of the gender pay gap. The current economic conditions mean that the most needs to be made of existing resources and mechanisms to address pay inequalities (CEC 2009c:3).

It is important not to underestimate the impact of the Equal Pay Directives in the 1970s on gender equality in the EU. Mazey (1998:146-7) describes the almost overnight change following the mobilisation of Article 119 with a “flurry” of Member States legislation and/or introduction or upgrading of equality bodies. Suddenly public bodies and employers had to examine their pay systems and comply with new laws that sought to address institutionalised pay inequalities. Since this period in the 1970s concrete developments aimed specifically at the gender pay gap have given way to efforts to address underlying inequalities within the area of competence of the European Community – for example health and safety issues around pregnancy, inequalities arising from unequal distribution of women and men in non-standard working arrangements, and disadvantage women face in becoming self employed or spouses assisting self-employed partners.

Under the auspices of the European Employment Strategy since 1997 addressing the gender pay gap has become a part of the effective utilisation of female human resources in Europe and broader goals of high sustainable employment rates. The Council decision on the employment guidelines in 2003 introduced the objective to achieve by 2010:

a substantial reduction in the gender pay gap in each Member State, through a multi-faceted approach addressing the underlying factors of the gender pay gap, including sectoral and occupational segregation, education and training, job classifications and pay systems, awareness raising and transparency” (Council of 22 July 2003).

Subsequently the gender pay gap was highlighted as one of the key concerns in the Roadmap for equality between women and men 2006-2010 (CEC 2006a). One of the early milestones of the Roadmap was for the Commission to work with Eurostat in the development of adequate data for the measurement of pay inequalities (CEC 2009c, see also table 1). Nevertheless in the most recent assessments, the Commission remains concerned that the gap is “insufficiently addressed by most Member States” (CEC 2010:9) and over the adequacy of data for monitoring the gender pay gap at the Member State level (CEC 2009d:14). And in spite of the large pay gap and some emphasis in National Reform Programmes there were few new initiatives (CEC 2009e:66; CEC 2010:9). Nevertheless a legislative approach is not considered as the main policy option for progress at European level with effective implementation of existing legislation and non-legislative measures a possible way forward (CEC 2009g).

The most significant step forward in recent years was the publication of a Communication on “Tackling the pay gap between men and women” in July of 2007. The Commission's Communication set out ways that the EU can address the gender pay gap recognising limited movement in recent year. The Communication identified four fields of action:

- ensuring better application of existing legislation,
- fighting the pay gap as an integral part of Member States' employment policies,
- promoting equal pay among employers, especially through social responsibility and
- supporting the exchange of good practices between Member States, including encouraging social partners to implement their framework of actions.

The approach adopted by the Communication recognises the need to make the most of existing legal framework around the gender pay gap but also develop a mainstreamed and, multilevel approach to addressing gender pay inequalities. The improved application of the legislation also involves raising awareness and consideration of how current laws could be adapted, feeding into the Roadmap work programme. In relation to the need to raise awareness in March 2009 Commission launched an information campaign about the gender pay gap across the EU.

The Commission's Communication was followed up in 2008 with a European Parliament Resolution on the Pay Gap. The Resolution recognised that the gender pay gap did “not show any sign of significantly narrowing” and called for wider action to the full range of factors with a focus beyond hourly pay, equal pay for the same work. The Parliament also called for the better implementation of Directive 2006/54/EC related to equality organisations and social dialogue as a way to address gender pay gaps at the Member States level, including national or sectoral collective agreements.

The Commission's Communication also picked up on the role of Social partners in the exchange of good practice (CEC 2007a: section 3.4). The promotion of these mechanisms ties in with existing aspirations of European Social Partners themselves - UNICE/UEAPME, CEEP and ETUC – and their Framework of Actions on gender Equality (2005). This Framework includes a section on the gender pay gap along with addressing gender roles, promoting women in decision making, and supporting work-life balance. As part of the actions for gender pay gap the Social Partners acknowledge;

- An obligation to ensure that the pay systems do not lead to pay discrimination between women and men;
- To develop a variety of instruments to act on the underlying causes of gender pay differences ;
- The need to provide information and guidance about existing legislation on equal pay;
- To ensure that pay systems and job evaluation schemes are transparent and gender neutral, including the possible discriminatory effects of secondary elements of pay.

Social Partners have also been active independently with the European Trades Unions Congress (ETUC) committing itself to “prioritise actions to reduce the gender pay gap with all possible means...” at its Seville Congress in 2007 and adopting a resolution on “Reducing the gender pay gap” in June 2008 (ETUC 2008). The ETUC broadly supports the 2007 European Commission's Communication and recognises the key role trade unions can play. Furthermore the ETUC envisages a more active role for collective bargaining in closing the gender pay gap and not just addressing wage inequalities – this includes putting the part-time pay gap on the agenda for bargaining negotiators. Similarly the European Federation of Public Service Unions adopted a resolution on Equal Pay in June 2009 (EFPSU 2009).

#### **4. A ROLE FOR SOCIAL PARTNERS**

The review of developments at the European level and reflection on progress since the 1975 directive suggest that a comprehensive approach to the gender pay gap is required, with actions at multiple levels. Such an approach recognises the complex web of factors acting to maintain the gender pay gap and also the variety of actors at different levels that are involved in pay determination, labour market regulation and shaping women's and men's experience of work. Whitehouse (2003:125) calls for a “multidisciplinary and multi-methodological approach” to researching pay equity and we can extend this advice to addressing the gender pay gap itself. A focus on the gender pay gap from a more holistic position opens up the possibilities of addressing the link between the pay gap and segregation for example and the mainstreaming of ‘general’

wage policies, for example towards gendered impact of low pay. The combination of the actions at the European level has the potential to create a new wave of progress on the gender pay gap, led by the EU, which can then be complemented at other levels. Indeed the Commission has expressed a strong commitment to support NGOs and Trade Unions in their work favouring non discrimination (CEC 2009f). Thus an important element of dealing with the pay gap in Europe is the involvement of the social partners.

The presence of trade unions does help narrow the earnings differentials for women and men and wage dispersion are lower in organised compared to unorganised sectors (Metcalf et al 2000). Elivra and Saporta (2001) confirm this finding but also that the effect is stronger in feminised sectors suggesting unions have a greater role of play in feminised sectors in reducing the gender pay gap. In fact the benefits for women of union membership extend further and Allen and Sanders (2006) find that women's pay can benefit more than men's from union membership, although these positive outcomes are not always by design. For example, Whitehouse (2003:124-5) suggests that the Australian system of centralised industrial relations has been beneficial for pay equity even though it has been based on male norms and "pay equity gains have primarily been the accidental outcomes of structure rather than evidence of a capacity to avoid gender bias in the valuation of skills" (see also Whitehouse et al. 2001).

The engagement of social partners in the fight against the gender pay gap is perhaps also a good mechanism for coping with institutional heterogeneity across EU Member States. Recognition of the variety of wage setting systems at the national level (Schulten 2008) would be useful in addressing persistent pay gaps. The gender segregation across work places is more important than gender itself in explaining low pay (Rubery and Grimshaw 2009) so tackling sectoral inequalities would be a useful step. As such, a reduction of the gender pay gap requires action that works with the variety of these national industrial relations systems but also targeted policies that may vary between specific systems within Member States (Gannon et al. 2007). However, the uneven distribution of social partners across sectors also needs to be recognised, for example organisations may span regions rather than sectors where specific action on pay gaps may be required, for example the federal unions in Germany (Bosch 2009). Female-dominated sectors also tend to have lower rates of unionisation, with the exception of the public sector in some Member States. The effects of segregation on the gender pay gap extend beyond the relative strength of social partners in different sectors and flux in collective bargaining arrangements mean that institutions that could address low pay or the gender pay gap are shifting.

European Social Partners report an increase in activities to address the gender pay gap, for example the development of toolkits for tackling the gender pay gap in negotiations (USEPME 2008). Furthermore the ETUC (2002) find that the majority of confederations do have trained negotiators on equality issues, collected gendered disaggregated data and monitored negotiated equality measures. The Commission has recently provided evidence of Social Partner and NGO good practice in the fight against discrimination with different groups working in coalition to tackle local and/or sectoral problems (CEC 2009e). In this sense it is important to build capacity among Social Partners and NGOs at the local level to address the gender pay gap (op cit). It is also important to note, however, that social partners may not always hold a common view on what the equal pay problems are or agreement on how to proceed since they have their own ties to sectors, occupations and work groups (Clarke et al 2005; EuroFound 2006; Green et al 2005; Kirton and Greene 2005; Norwegian Ministry of Children and Equality 2008; Short and Nowak 2009). For example, in Portugal the Cork Industry has agreed to act on the gender pay gap, with social partners developing a project to "revalorise work to promote equality" by applying job evaluation free of gender bias (USEPME 2008:75). However, the programme of higher pay rises for female dominated job groups to eliminate gender pay gaps will be implemented over an eight-year period (op cit : 68). The current economic conditions may also be an additional challenge to placing the gender pay gap on the agenda since the social partners may have other priorities - we already see evidence of this in the case of Germany (Maier 2009). Nevertheless it is also possible to see the current crisis as an opportunity for change and transformation although this requires strong leadership and vigilance so that key goals do not slip in the urgency of the response to the crisis (Smith 2009a).

## 5. MODELS OF GOOD PRACTICE MULTIPLE LEVELS

With the non-legislative approach in mind and the need for action at multiple levels here we identify a range of models of good practice that illustrate the potential for actors at different levels to act against the gender pay gap. The key characteristics of the examples are that they provide motivation and information to act. In creating obligations, developing national leaders and the adopting new mechanisms such as targets, organisations, whether public or private, have a motivation towards working towards closing the gender pay gap. Similarly in promoting transparency key information about the gender pay gap at the European, national, sectoral and organisational level is available to the relevant actors.

### Creating Obligations

By creating obligations on organisations the concern for equality becomes a proactive one rather than a reactive issue when complaints of unfair treatment are received. Hepple (2007:225) describes the importance of shifting “from negative duties towards positive duties to promote equality” and outlines a pyramid of responsibilities that can be used by public authorities that range from informational campaigns to use of public procurement to encourage positive behaviours. Zeigler (2006) also advocates a more proactive system where there is regular monitoring of compliance rather than a reliance on individuals to initiate complaints. Creating obligations addresses one of the problems with individual complaint-based system where the worst offenders rarely surface (Colgan et al 1996). A system based on obligations permits equality organisations to initiate their own investigations and requires employers to be proactive (op cit). Evidence from Canada in the 1990s suggests some employers take the opportunity to change while others are encouraged because of a legal requirement to be active. In the UK we can see the Gender Duty on public bodies as an important approach here (See Box 1) while obligation on social partners to bargain on equal pay (for example in Luxembourg and France, see Box 2) creates obligations on social partners.

#### **Box 1. The UK’s ‘Gender Duty’ obligation on the public sector to promote gender equality**

The **Gender Duty on Public authorities** came into force in April 2007 under the Equality Act (2006). It is a new legal tool which has the potential to deliver important advances towards gender equality in the public sector, with some extension of impact to the private sector via procurement of goods and services. It is similar to the *Disability Equality Duty* that was introduced in 2006.

The **Gender Duty** places a legal responsibility on all government ministries, departments and other public bodies to work to (a) eliminate unlawful discrimination and harassment and (b) promote equality of opportunity between men and women. Thus instead of relying on individual complaints about sex discrimination to drive reforms it requires public bodies to be proactive in promoting equality and preventing discrimination when carrying out their functions: to demonstrate that they treat women and men fairly; including compliance with the Equal Pay Act. The new **Commission for Equality and Human Rights (CEHR)** integrates the previously separate agencies for gender, race and disability equality and extends the anti-discrimination remit to include age, sexual orientation and religion. The **CEHR** is empowered to issue compliance notices in connection with a breach of the Gender Duty or any of the other specific duties, and these notices are enforceable by judicial review.

In April 2009 the new **Single Equalities Act** extended the application of these ‘duties’ and introduces several specific new measures to tackle the gender pay gap (Government Equalities Office 2009). Employers are no longer able to impose secrecy clauses which prevent employees discussing their own pay; which is common in some parts of the private sector. This will help to increase transparency about payment structures at the workplace. Large public bodies (over 150 employees) are now required to publish annual reports on the actions they have taken to close the gender pay gap (as well as to improve their employment of ethnic minorities and disabled persons). The private sector is warned that annual company reports on their gender pay gap will become compulsory for large companies (250+ employees) from 2013 unless there is ‘sufficient’ prior progress made on a voluntary reporting basis. The CEHR will monitor progress in the private and public sector and will develop a set of metrics for these gender pay reports. It will also carry out investigations into particular sectors; starting with financial services and the construction industry.

The Single Equalities Act also introduces a new duty to reduce socio-economic inequalities and address the service needs of diverse groups in the community; outlaws age discrimination in service provision and public functions for anyone aged 18 years or older; extends the scope of positive action measures so that employers are able to take into account the under-representation of women and other disadvantaged groups when selecting between two equally qualified candidates; extends permission for women-only shortlists for parliamentary candidates to 2030; and allows Industrial Tribunals to make wider recommendations to benefit the whole workforce (representative actions) rather than just the individual applicant.

A suite of supporting non-statutory guidance documents have been issued to detail the positive steps that public authorities and social partners should take and to disseminate good practice. These documents include the *Code of Practice for the Gender Equality Duty* (2007) and *Guidance on promoting gender equality in public sector procurement* (2006) to supplement earlier Codes, notably the *Code of Practice on Equal Pay* which details how an Equal Pay Review should be undertaken. A 'gender equality check tool' to enable employers to undertake GIA is being prepared and a new 'kite mark' stamp is to be awarded to those private sector organisations which demonstrate transparency and acceptable equality outcomes in their equality and equal pay policies.

Alongside these legal developments the government has also introduced a set of '**Public Service Agreement**' (PSA) targets pertaining to gender equality which are specified in the 'Deliver on Gender Equality Initiative' as a focus for inter-ministerial work. Many of the targets are quantified and the ones for employment focus on the expansion of flexible working and childcare, measures to reduce occupational segregation and one target to increase the proportion of large private sector companies undertaking Equal Pay Reviews on a voluntary basis from 18% in 2003 to 45% by 2008 (Women and Equality Unit, undated). The government equalities office is charged with managing the delivery on these targets via monitoring and recommendations.

This raft of legal and supporting measures constitutes a progressive programme of action; however there are some risks and shortfalls. Firstly, effective implementation of the Gender Duty is likely to become more difficult in the current economic recession and impending public sector budget cuts. Secondly, some of the supporting initiatives appear to have slowed or been diluted, for example the long time involved in developing the 'gender equality tool kit' and the rather low profile given to the PSA targets in public policy debates. Thirdly, the Single Equalities Act is an important but partial victory according to the unions because the original proposal to place a duty on private sector companies to develop and report on their action to reduce the gender pay gap was rejected by the government cabinet. Companies that tender for large contracts may be obliged to do so under procurement guidelines, but this will only reach an estimated 30% of private companies (Carvel 2008).

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#### **Box 2: Compulsory pay gap bargaining in France**

In France penalties may be introduced, from 2010, for companies that have not fulfilled their obligations regarding the elimination of wage inequalities under the 2006 Act on equal pay (March 23). These obligations include the drafting of a report on the comparative situation of salaries in the organisation (known as an RSC, *Rapport de Situation Comparée*), with a simplified version for businesses with fewer than 300 employees. There is also an obligation to negotiate on equality (including salaries), with measures for the abolition of wage differentials observed. No details on the nature of sanctions were outlined in the text.

The 2006 Act introduced compulsory bargaining on equality (2001 Act) with a requirement to define and plan the steps needed to eliminate the pay gap between women and men before December 31, 2010. A diagnosis of these differences was required. In case of a lack of commitment to "fair and serious" negotiation (based on information provided by trade unions), penalties were envisaged. Furthermore a branch agreement without a provision for the abolition of wage differentials could not be extended and firm wage agreements will be registered only if negotiations were initiated on the subject. Finally, the Government would submit to Parliament if needed, a bill establishing a contribution-based payroll penalty for companies that had not opened negotiations.

in July 2009, with the 2010 deadline approaching, the government entrusted a preparatory report on *The consultation with social partners on professional equality between women and men* to Ms. Gresy (Inspector IGAS). Among the 40 proposals presented in this report, the penalties for a lack of negotiation were specified, but remain to be negotiated and/or legislated for. The report contained the possibility for two kinds of penalties:

Two phases are planned:

- 1) a penalty for not having completed the report (RSC);
- 2) a penalty on non-compliance in negotiating an agreement or unilateral plan. The report proposes "10 levers of equality" to be addressed in these negotiations (the number ranging from 2 to 10 depending on the size of the company).

Two penalties are proposed:

- possible cuts in social security: the law on income from December 3, 2008 already provides that the general relief from payroll taxes are paid only on condition of fulfilling the annual obligation to negotiate wages. The size of the exemption would be reduced by 10% in the first year of default and completely removed after three years. However, the Act of March 23, 2006 provides that wage negotiations should also address the elimination of wage differentials. In the absence of bargaining on wage inequality, this principle of the abolition of relief can be applied.
- A penalty based on a percentage of payroll, as provided for in the 2006 Act, was proposed at 1% of payroll for non-compliant companies (as already the case for organisations not applying the plan for older workers)\*. This fund could be used to train actors in equality issues.

These penalties would apply from the first year if no RSC is published and renewed annually. Sanctions will also be extended in the absence of an agreement or plan for reducing inequalities, even where a report was provided. The first penalty (reduction of payroll tax relief) would be monitored by the Social Security agency (Urssaf) while the second would be under the control of the Labour Inspectorate..

These concrete provisions seem workable but their implementation will be subject to new negotiations among social partners to decide on the choice of measures. There has already been a tri-partite conference on the subject in 2007, following the 2006 Act, and it is possible that this new approach may fail since employers are very reluctant to introduce sanctions.

\* The Gresy Report identified the example of a company with a 1000 employees earning, on average, 1,500€ per month. In this case the sanction would be of the order of 180,000€ and this would be a minimum since the inclusion of higher level employees (cadres) would raise the payroll.

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### ***Promoting transparency***

One of the problems of modern pay systems is that the growth of individualisation has disguised potential inequalities. Neathy et al (2003) found that one in five employers did not allow their employees to share information about pay with other colleagues and Tattershall et al (2005) show how the culture of secrecy in the UK information technology sector means that many pay inequalities remain unnoticed for many women working in the sector. In fact Tattershall et al. found 66% of their respondents reported a culture of confidentiality and women often only found out about pay inequalities once they reached managerial levels or by doing their own research. One of the most transparent pay systems is that of piece rate where employees are paid for what they produce and while we would not want to recommend an extension of piece rates research does demonstrate that gender pay gaps are lower where piece rates are used (Jirjahn and Stephan 2004). These authors in fact argue that “unexplained gender wage gap is substantially smaller in the piece-rate regime than in the time-wage regime” (op cit: 683) and suggest that women may choose such work because these objective measures of performance means that they are not subject to as much wage discrimination. Obliging employers to analyse and report on wage gaps is another way to promote transparency without some of the disadvantages of piece rates (for example Sweden, Denmark, Finland).

New developments in information technology allow pay gaps to be exposed via transparency more easily. For example via the World Wide Web (Netherlands) or dedicated software as in Germany, Switzerland and Luxembourg (see Box 3).

### **Box 3: Exposing the Pay Gap in Switzerland and Germany**

In Germany the gender wage gap is with 23% one of the largest gaps within the EU. As we know from empirical research it is the allocation of men and women either to different workplaces within firms or to equal workplaces but with differences in the remuneration resulting from different values associated with the work. These two crucial points are in addition to “objective” factors like differences in experience and education, length of employment within the same job, or firm etc. Segregation and discrimination on firm level is a major factor in explaining the overall gender wage gap.

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

The LOGIB is more developed and more widely implemented in Switzerland. The instrument is used there by the Federal Office for Public Procurement (Beschaffungskommission des Bundes) and firms which want to participate in public contracts as contractors have to prove that they fulfil the rules on equal pay for work of equal value which is part of the Equality Law (Gleichstellungsgesetz). They have to show that the wage differentials in their firms are due to “objective” factors like education, vocational skills etc. and not a result of discrimination. Given that a firm has an unexplained gender wage gap of more than 5% (which is the limit which was defined as there is always some imprecision), the Federal Office may advise the firm to investigate further the factors which contribute to the wage gap, or may exclude the firm from the tender process and future contracts etc.

This instrument has been in use since 2005, it was modified several times and is actively used by the Swiss authorities. The Equal

Opportunities Office of Switzerland is entitled to do the analysis for the Federal Office for Public Procurement. The wider implementation of the LOGIB system in Germany is currently under discussion. Whereas the German Ministry for family, seniors, women and youth wants to keep the instrument voluntary in order to make firms sensitive towards gender wage gaps, the German Minister for labour and social affairs is working for a solution more like that in Switzerland, which means using the Federal regulations on public procurement to strengthen the legal obligations. The Minister wants to create a Federal office responsible for equal pay within the Federal agency for anti-discrimination which could use the LOGIB-instrument, and the right for work councils to collect all information about wages and pay components and to demand the use of LOGIB. However, this approach is planned in conjunction with other measures and the minister points to the fact, that the wage gap due to low wages in certain sectors and industries needs to be tackled by a minimum-wage regulation.

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### ***Addressing Low Pay***

Eyraud et al (2007) estimate that around a third of women are low paid compared to less than fifth of men. In their study of low pay in four countries - UK, USA, Canada and Germany – the OECD conclude that women are among the groups more likely to remain in low paid positions for long periods, particularly lone parents (OCED 2007). There is a problem of a lack of collective representation among low-paid sectors, particularly for women (Pollert and Charlwood 2009), so minimum wages are one way to address problems of low pay and women are the major beneficiaries of minimum wages so any advances in minimum wages level help women disproportionately (Eyraud et al 2007:48). Metcalfe (2008) shows how the British National Minimum Wage managed to close the gender pay gap over a period in the first part of this century. The gender pay gap fell by over five percentage points between 1998 and 2006 particularly thanks to a four year period from 2002 when the minimum was up rated substantially faster than both average earnings and prices. The problem arises when workers above the minimum seek to restore differentials but in absolute terms minimum wage gains help low-paid women workers. There are general statutory minimum wages in 20 of the 27 Member States and so the mechanisms for addressing part of the low-pay problem. Indeed the period since the start of the millennium has been one of substantial increases in the value of minimum wages (Schulten 2009) with positive effects on gender pay equity in some Member States (Metcalfe 2008). Unfortunately the current crisis has brought a threat to minimum wage systems with 2008 witnessing a downward trend in minimum wage values and the threat of falling real or even nominal values (Schulten 2009). The real value of minimum wages fell in ten of the 20 Member States with statutory minima in 2008 (op cit: table 3). It is also interesting that minimum wages can also help low-paid men at the bottom of the labour market who are effectively being ‘treated like women’ (Rubery and Grimshaw 2009). This is perhaps a good example where gender equality policy can also help disadvantaged men.

However, the minimum wage is only a particle solution to gender pay gaps (Rubery and Griwmshaw 2009) and action on wage inequalities needs more than the strong enforcement or up rating of minimum wages. Nevertheless discussions of a European-wide minimum wage policy (Schulten 2009), while ignoring the gender dimension, would provide a boost to closing the gender pay gap in those countries where the system of minimum wages has not prevented the growth of employment below the minimum wage level (Dex et al (2000).

### ***Developing Local Champions***

Developing national leadership through social partners ties in directly with the emphasis on the European level on using social partners. Indeed we can also see parallels in the European Commission’s hand book on gender mainstreaming points out the first key step in gender mainstreaming is ‘to build ownership’ (Plantenga et al 2008). From the example above we can see how the public sector can be seen as a national leader in promoting equality (e.g. UK) or job evaluation (e.g. Iceland) or addressing vertical segregation (e.g. Greece). Furthermore creating a responsibility at the local level has some clear advantages as it is within individual workplaces and organisations that some of the key barriers exist and vested interests that may override adequate progress.

The Dutch “Day of Equal Pay” is an example of Governments and social partners working together to promote awareness of the gender pay gap (USEPME 2008:67). Similarly in Belgium a “journée de l’égalité salariale” or “equal-pay day” promotes awareness of the gender pay gap (FGTB 2008). Elsewhere awareness around the gender pay gap is been promoted via television campaigns, for example in Spain and Austria where the headlines “La discriminación salarial no es un juego” (Pay discrimination is no game) and “Frauen verdienen mehr” (women deserve more) were used respectively (Donlevy and Silvera 2007). Similarly Gibelman (2002) argues that professional associations have a role too and we can see this in the Association of Chartered Accountants for the UK where a recent report outline steps to reducing the gender pay gap.

### ***New Mechanisms and Targets***

Targets have been an important element in encouraging progress against the medium-term goals of the European Employment Strategy. Member States have been focused on making investments in promoting childcare services and raising female employment rates with clear, observable goals in mind. The 2003 Council conclusions not only called for a multifaceted approach to reduce the gender pay gap but also for a “substantial reduction in the gender pay gap in each Member State” (Council of 22 July 2003). The next step of the battle against the gender pay gap required a concretisation of the “substantial reduction” with the use of targets to focus the minds of actors at all levels and also allow citizens to make sense of the transparency of pay data called for above.

We can already see the use of specific gender pay gap targets in use in the EU. In Finland we have seen the target to reduce the general wage-gap from 20 to 15 percent by the year 2015 through various mechanisms including improving the wage-systems, supporting women’s careers and encouraging private enterprises to recruit more women at top-levels (Smith 2009b). While in Sweden the target is very explicit for the state sector – a zero gap by year 2010 – with a more general reduced wage-gap for the labour market as a whole.

As well as targets to promote action we have also seen that the European Union's use of Country-Specific Recommendations and Points-to-Watch as part of the Lisbon process has had the potential to promote gender equality policies (Smith 2009b). The annual review of national employment policies by the Commission’s Expert Group on Gender confirms that Country-Specific Recommendations and Points-to-Watch inspire action at the Member State level and the legacy of these public recommendations can be seen in national employment policies. This Analysis Note has stressed the key role of European institutions in instigating the major legislative moves in the 1970s and it is again a key leader in future progress against the gender pay gap

## **6. WHAT NEXT FOR THE EU**

A key role for the European Union in the continued fight against the gender pay gap is to bring together this variety of initiatives and multiple actors. Across the EU there are examples of good practice that could combine with a wave a pressure at the European level as part of the Commission’s initiatives under the Roadmap. Furthermore it is possible to see the coming months and years as a new window opportunity with the 2010 renewal of the European Employment Strategy and commitment to Equality between Women and Men. As Europe looks forward to the goals for EU2020 the possibilities for a concerted and coordinated effort to close gender pay gaps across EU Member States is available. The examples outlined in this Analysis Note emphasise the key roles of motivating actors at all levels and providing access to transparent and timely information to highlight gender pay gaps and create pressure for change. Figure 1 summarises these relations and how the combination of pressures can act on the gender pay gap.



Figure 1 Creating Pressure to Close the Gender Pay Gap

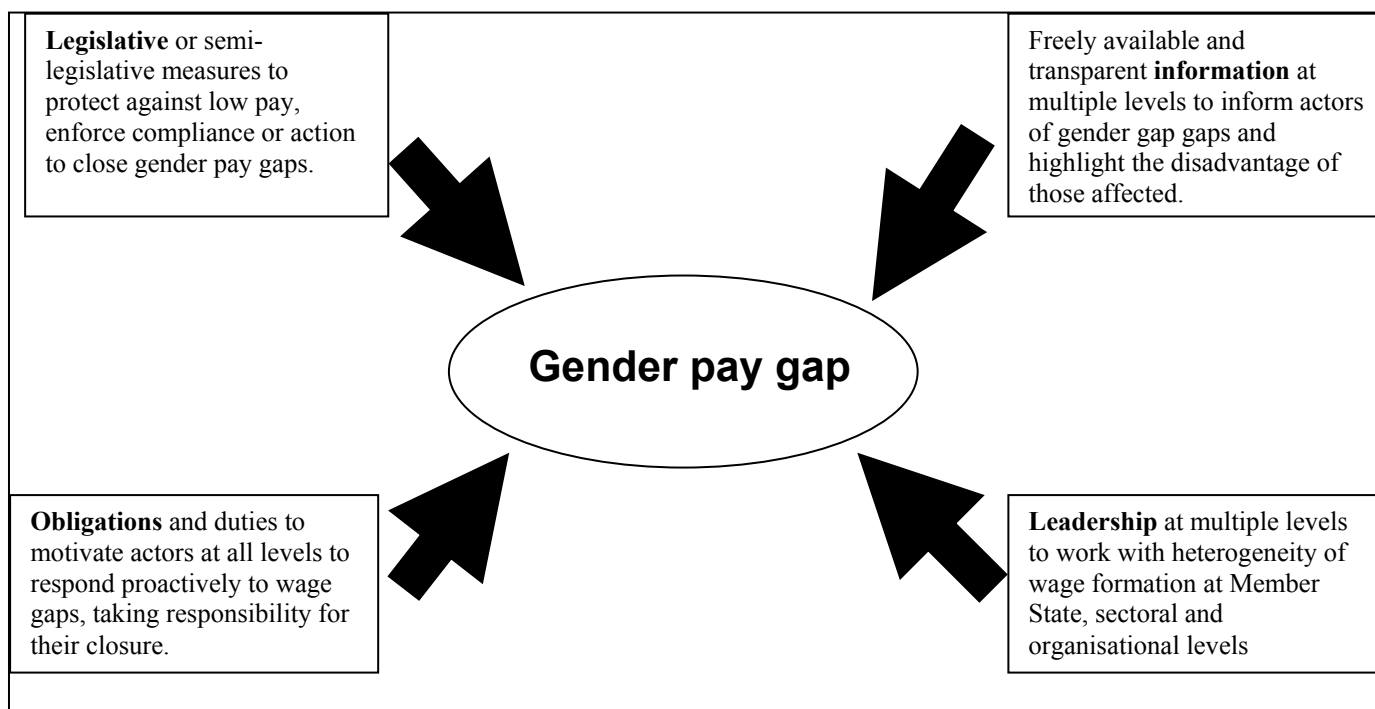


Table 2 provides examples of how the initiatives outlined in this Analysis Note might come together in a coordinated multilevel strategy with actors at all levels being incentivised to act to close wage gaps between women and men.

Table 2 Examples of a Coordinated Multilevel Strategy for closing the pay gap.

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

The use of actors at multiple levels helps address the heterogeneity of arrangements across Member States and sectors and can also help identify which practices are appropriate for transfer and adoption in addressing the particularities of the gender pay gap in different institutional and organisational settings. While it is important to keep in mind that good practices may not always be transferable – for example, where social partner coverage is weaker – the need for strong leadership at the European and national levels is a key factor in leading the challenge against the gender pay gap.

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