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**ADDENDUM TO THE NOTE**

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from:	Permanent Representatives Committee (Part I)
to:	COUNCIL (Employment, Social Policy, Health and Consumer Affairs)
No. prev. doc.:	16516/10 SOC 779 + ADD 1 + ADD 1 COR 1 + ADD 1 COR 2
Subject:	Strengthening the commitment and stepping up action to close the gender pay gap, and the review of the implementation of the Beijing Platform for Action

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Delegations will find attached a summary of the report drawn up by the Belgian Presidency entitled "The gender pay gap in the Member States of the European Union: quantitative and qualitative indicators".

« The gender pay gap in the Member States of the European Union: quantitative and qualitative indicators»<sup>1</sup>

Under the Belgian Presidency of the European Union in 2001 the Council of Ministers approved a set of nine indicators with regard to the pay gap between women and men within the framework of the follow-up of the Beijing Platform for action. Each year Eurostat makes firm figures available in connection with the pay gap that are calculated by the Member States. The remit of this report is two-fold: on the one hand to give a more detailed presentation of the data regarding the pay gap in the different Member States and on the other hand to offer an evaluation and an update of the indicators of 2001, so as to be able to incorporate the legislative and statistical developments.

The set of indicators of 2001 consists of seven quantitative and three qualitative indicators. The first are calculated mainly on the basis of the Structure of Earnings Survey (SES). The most recent year for which the data have been harmonised at the European level is 2006. As regards the qualitative indicators, the Member States received a questionnaire in May 2010 and the information provided has been incorporated into the report.

Conceptually, the ‘pay gap’ refers to differences in the average pay of women and men; the gender pay gap comprises both pay discrimination on the basis of gender and inequalities in pay that can be ascribed to differences in the position of women and men in the employment market.

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<sup>1</sup> Report drawn up in collaboration with DULBEA, Département d’Economie Appliquée de l’Université libre de Bruxelles (Department of Applied Economy of the Free University of Brussels), Leila Maron, Researcher, Danièle Meulders, Professor, Sïle O’Dorchai, Professor Robert Plasman, Professor, Natalie Simeu, Researcher (September 2010).

A policy for eliminating the gender pay gap can be directed towards one or more aspects. The different indicators are intended to focus the spotlight on the different aspects and origins of the pay gap and to offer an overview of the ways of closing the gap.

## **1. Quantitative indicators**

In regard to the quantitative indicators, four general changes are suggested in order to re-establish conformity with the Structural Indicator on the Gender Pay Gap, as presented by Eurostat, and as defined in close consultation with the Member States.

First of all, the method for calculating Indicator 1 is adapted, with a view to calculating the pay gap on the basis of the gross hourly earnings of women and men, without regard to working hours, rather than taking account solely of the monthly earnings of full-time workers. This way the wages of the vast number of women who work part time are included in the calculation.

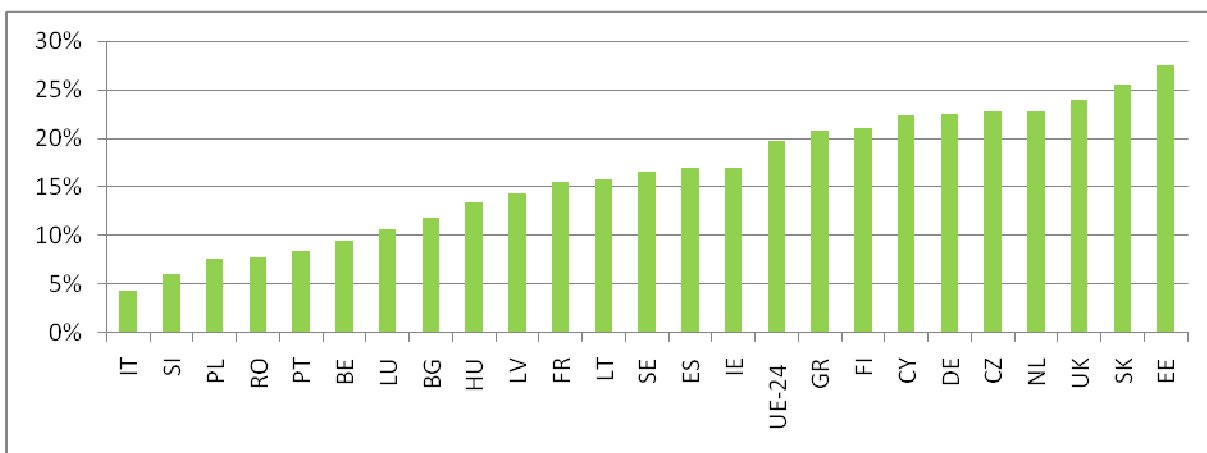
Secondly, the notation for the indicators is changed. In the set of indicators agreed in 2001, the gender pay gap was expressed as a ratio F/M for indicators 1, 3, 4 and 5. The more common notation of (M-F)/M is now proposed.

Thirdly, in 2001 the European Community Household Panel (ECHP) was presented as a source, along with the European Structure of Earnings Survey (SES). In the meantime the ECHP has been replaced by the European Statistics on Income and Living Conditions (EU-SILC). For the Structural Indicator on the Gender Pay Gap, the SES is selected as the most appropriate source. Whenever the use of additional sources is required, the methodology underlying the SES is maintained.

Fourthly, the indicators established on the basis of the ECHP in 2001 were based on net wages. For the calculations based on the SES, only gross wages were used. In 2010 only gross wages are maintained.

The most important change here concerns the new definition of Indicator 1. According to the revised Indicator 1a, the pay gap varies in the Member States between 4% (Italy) and 27% (Estonia). The European average for the 24 Member States for which data are available amounts to 20%.

**Graph: Difference between the gross average hourly salary of women and men working full time and part time (in euros), countries arranged in increasing order of the pay gap (2006)<sup>2</sup>**



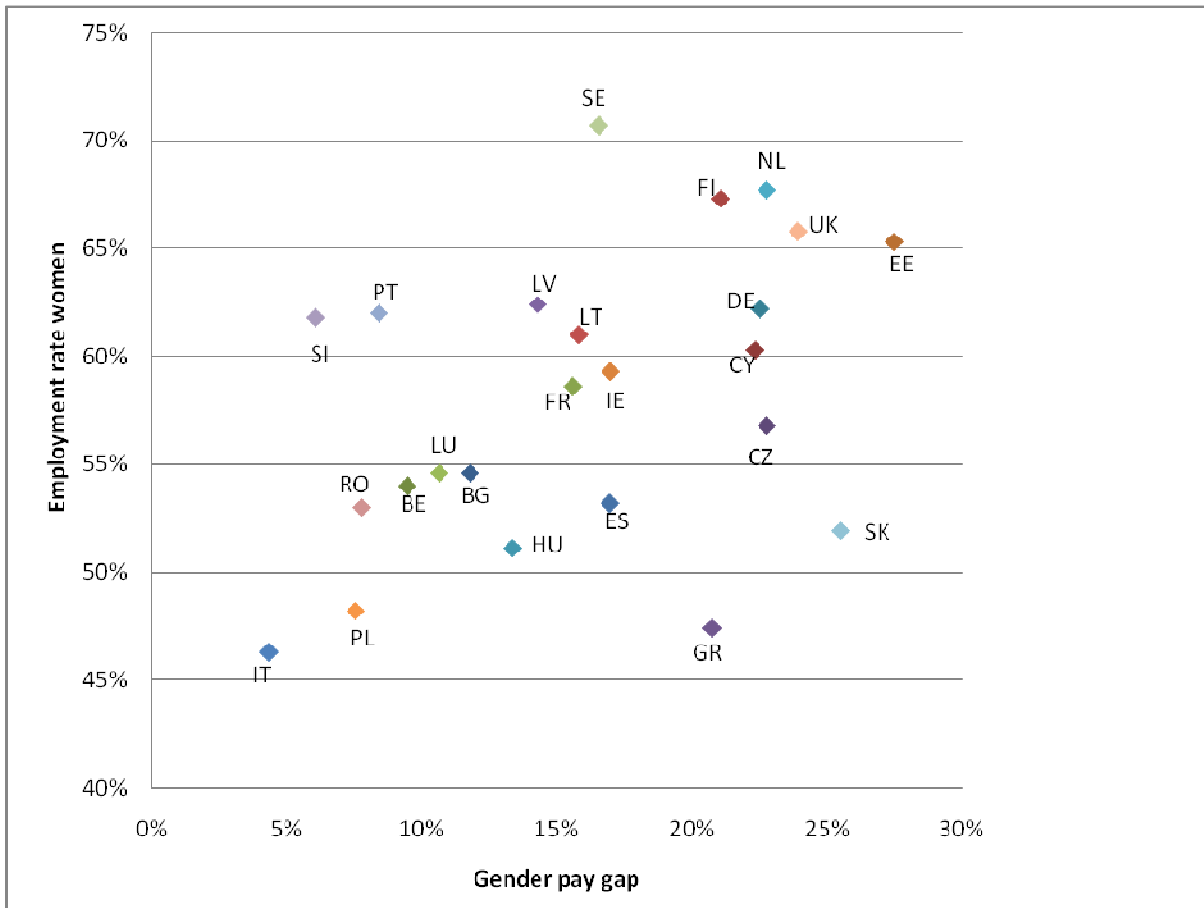
Source: Structure of Earnings Survey SES

A second important change in the first indicator concerns the inclusion of the employment rate as a context indicator. Since 2001, several researchers have pointed out that this context indicator is a prerequisite for a valid comparison between countries. A low gender pay gap is often associated with a low female employment rate, as a consequence of the ‘selection effect’: the explanation lies in the profile of working women, who are often highly educated women in better paid jobs.

<sup>2</sup> Although all the Member States collect SES-data and deliver them to Eurostat, not all the existing SES-data are available at the Eurostat Safe Centre for research purposes. Without Member States’ explicit consent, micro-data are not accessible. As a consequence, some indicators are not calculated for all the Member States. In principle, the figures relate to the 27 Member States; many of the indicators, however, could not be calculated for Austria, Denmark and Malta, as micro-data were not available to researchers about those countries. The main results are available online at EUROSTAT's website for all EU-Member States.

The following figure gives a 3-parameter representation of the connection between the employment rate and the pay gap.

**Graph: Pay gap and employment rate of women (2006)**



Source: Structure of Earnings Survey (SES) and EUROSTAT, Labour Force Survey (LFS)

An increase in the employment rate of women will in the first instance often have a negative effect on the pay gap, because such an increase is mostly accounted for by lower educated women, and in sectors that pay less, working in temporary and part-time jobs. However, achieving gender equality in the labour market in the long term requires aiming at both objectives, namely an equal employment rate and closing the pay gap.

In Indicators 3 and 4, concerning part-time work and the pay gap in relation to age and level of education, the employment rate is one of the factors examined.

By far the most important factor in the overall wage differences between women and men is the unequal part-time employment rate of women and men in many Member States. As a result of the correction made in Indicator 1, the wages of part-time employees are included in the calculation, rendering the indicator more valid. By basing the calculations on gross hourly wages, however, the considerable impact of working hours on monthly, or even yearly wages is in fact adjusted. To measure this impact, an extra calculation is added to Indicator 1, namely the gender pay gap in gross monthly or gross yearly wages of full-time and part-time employees. Similarly, this impact is singled out in Indicator 2, by adding the gender division of actual working days to the equation.

A further proposal to amend the indicators is to include extra factors that can play a role in the pay gap, namely marital status, family situation and country of birth. The new Indicator 6 relates the pay gap to these characteristics which should not, in principle, affect a well-functioning labour market. Nevertheless they are important factors that illustrate the impact of gender in the operation of the labour market very well. These data are not included in the SES survey at the moment. Although it is not obvious that information about employees' personal characteristics should be collected, it is an interesting extension of the set of indicators. In the report the calculations are made on the basis of the SILC survey. If these characteristics were to be included in the SES survey, they could also be analysed as factors when breaking down the figures of the pay gap using the Oaxaca method.

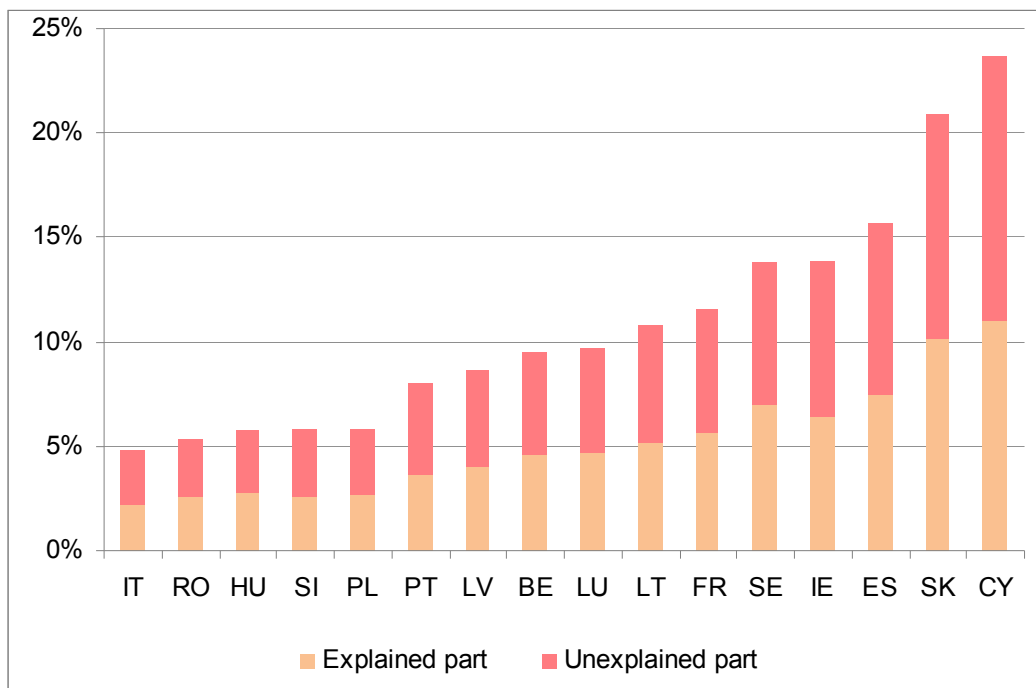
Obviously the new indicator takes account of the employment rate. In many Member States the difference between the employment rates of women and men appears the greatest among married people with children. Moreover, the pay gap is also generally bigger for married people and increases even further when there are children.

Indicator 5 is redefined in order to better reflect the impact of labour market segregation on the pay gap.

The decomposition of the pay gap into different factors is maintained. In the report the analysis has been made for the Member States for which micro-data were available for research purposes at the Eurostat Safe Centre (cf. supra). The results are highly comparable between the Member States: the part of the pay gap that can be explained varies between 45% (Slovenia) and 50% (Sweden). Likewise, for the different explanatory factors (sector of employment, profession, age, level of education, etc.) the results are highly similar between the Member States.

In the following graph the pay gap is divided into two parts: a part that can be explained on the basis of the known factors and a part that cannot be thus explained.

**Graph: The explained and the unexplained part of the gross hourly pay gap (in percentage points), countries arranged by increasing order of the pay gap (2006)**



Source: Structure of Earnings Survey – (SES)

## 2. Qualitative indicators

In order to obtain the necessary information to analyse the qualitative indicators of the pay gap in the European Union, a questionnaire was sent to the 27 Member States and to the European social partners (UEAPME, CEEP, ETUC). The questions concerned the 3 following indicators<sup>3</sup>:

- Measures to promote equal pay and to combat the gender pay gap;
- Influence of collective bargaining on the promotion of equal pay and the elimination of the gender pay gap;
- Effects of part-time work, parental leave, time credit systems and career breaks on the gender pay gap.

For each indicator (except the last one), the respondents had to present the measures taken and the means by which the objectives pursued were evaluated.<sup>4</sup> The pertinent data by which the information was provided for each indicator were adjusted compared to 2001, by taking into account the legislative changes (for example the creation of equality bodies) and also the policies and strategies put in place to close the pay gap at the national and European levels.

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<sup>3</sup> These indicators have been reformulated by comparison with the three qualitative indicators of 2001 but deal with the same content for analysis. The three 2001 indicators were the following:

- Indicator of laws, regulations and measures to combat discrimination and occupational inequalities;
- Indicator of the influence of public authorities on wage bargaining (collective and individual bargaining where applicable)
- Indicator relating to part-time work and temporary career breaks

<sup>4</sup> The following 26 Member States replied to the questionnaire: Germany, Austria, Belgium, Bulgaria, Cyprus, Denmark, Spain, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, the Czech Republic, the United Kingdom, Slovakia, Slovenia, and Sweden.

The analysis was based on the responses to the questionnaires, but also on the existing literature, particularly the European Commission publications and those of the Network of legal experts in the field of gender equality.

## **I. Indicator on the measures to promote equal pay and combat the gender pay gap**

### **1.1. Legislative measures**

This indicator first looks at the legislative measures that aim to combat the pay gap.

In accordance with European legislation, the principle of equal pay for women and men has been incorporated in the legislation of the 27 Member States. In some countries, this principle is enshrined in the Constitution (EL, HU, PL, PT). In others, a special law is devoted to equal pay for women and men. The principle of equal pay is also often included in a general law on gender equality. This principle may also be contained in a work code.

In this context, it is important to point out that some countries have placed proactive obligations in their legislation (e.g. an obligation to publish annual statistics on the salaries of women and men within a company, an obligation for collective bargaining about measures aiming to eliminate the pay gap, an obligation for companies to develop a plan of action, systematic checks of the application of the legislation, etc.).

Pieces of legislation concerning equality between men and women in the workplace clearly also have a role to play in equal pay. All the Member States have legislation setting out the principle of equal treatment of women and men as regards access to employment and working conditions, some of them providing specific legal provisions as regards the pay gap.

The report also dwells on the effective application of legislation, particularly in terms of legal measures but also through the evaluation of measures and the quantification of pay discrimination.

Evaluation of the legislation reveals that despite the progress made, equal pay for women and men remains an objective that has yet to be attained. The laws that were evaluated relate to the minimum wage (IE), to gender equality in general (DK, EL, FI, FR, SE, UK) or to equal pay in particular (FR).

The collection of data regarding complaints about pay discrimination is generally performed by the body promoting equality. The other institutions cited are: the Labour Inspectorate, the ministry in charge of work, the ministry of justice, the tribunals, and the government bodies responsible for equality between women and men. Several Member States have issued statistics on complaints about pay discrimination. However comparisons between countries on this basis are not reliable.

## **1.2. Non-legislative measures**

Obviously, while the law is essential, it is not sufficient for overcoming the differences in remuneration between women and men. Other initiatives, including creating institutional mechanisms, and adopting action plans or other instruments have also been examined.

The institutional mechanisms for promoting equality can take the form of a body placed under the responsibility of a ministry or a minister – generally the one in charge of issues regarding work and employment. Institutional mechanisms can also take the form of a specific administration charged with gender equality or a body that promotes equality, some devoting themselves solely to gender discrimination. Some equality bodies, in addition to the duties legally entrusted to them (such as assistance to victims, including earnings discrimination on the basis of gender) have also developed training programmes, drawn up codes of conduct, collected and distributed best practices, etc., particularly in the domain of combating the pay gap.

Today, most Member States have set up action plans for equality between women and men. The question of equal pay between the genders is generally included in these action plans. The responses to the questionnaires have enabled a census to be taken of actions plans specifically devoted to equal pay for women and men.

Among the other measures presented by the Member States, mention can be made of awareness-raising and information campaigns, education and training programmes, publications (reports, research, studies, guides) and the development of specific instruments.

According to the responses received from the Member States, the awareness-raising, information and training programmes on equal pay for women and men can be incorporated into action plans or used independently. In several countries, a special day is devoted to the theme of equal pay for women and men, during which awareness-raising activities are the key instruments for promoting equal pay.

Among the other initiatives and instruments developed by the Member States, the following can be mentioned: tools for detecting pay discrimination within companies, the setting up of gender-neutral systems for job classification, setting up of awareness-raising or training programmes in the struggle against stereotypes, in particular for young people, the creation of labels and prizes, and the publication of studies and reports on the pay gap.

Evaluating the measures enables us to improve our understanding of the reasons behind the pay gap. In this respect, although the implementation of action plans has not eliminated the gender pay gap, the progress that has been made has prompted some countries such as Luxembourg and the Czech Republic to repeat such action plans. An evaluation of the days dedicated to countering these stereotypes reveals that the number of participants – young people and companies – has grown steadily over the years. Despite the progress observed, the reports consistently show that the pay gap persists.

## **II. Indicator on the influence of collective bargaining on the promotion of equal pay and the elimination of the gender pay gap**

Determining wages is often at the centre of collective bargaining systems. The difference in pay due to gender, the distribution of pay, and the general level of wages are the result of the system of collective bargaining and its inherent characteristics. Pay gaps cannot be effectively reduced without the strong involvement of the social partners, unions and employers.

According to the responses received, a number of measures promoting equal pay have been adopted by the social partners in the context of collective negotiations. Examples include: the adoption of collective agreements incorporating the principle of gender equality in general (AT, CY, IF) or equal pay in particular (AT, BE, BG, DK, FR), the adoption of a minimum wage policy (AT, PL), the creation of a body responsible for the question of equal pay for the public sector made up of workers' and employers' representatives (DK), and implementation of joint action plans by the social partners (FI, FR, IE, LU, PT). Some unions have also made specific commitments in the fight against the pay gap (AT, BE, ES).

Some countries have provided information about the evaluation of measures adopted in the context of collective negotiations. It is important to be able to measure the progress made in bringing about greater pay equality. Systems must therefore be put in place to regularly gather information on the number and nature of collective bargaining agreements and the effects of all the measures adopted during collective bargaining. According to the Member States' responses, the question of gender equality is increasingly being taken into consideration in collective bargaining and it is observed that the adoption of collective agreements that incorporate the principle of equal pay for women and men is having a positive impact on reducing the pay gap.

It is also important to have a system of gathering data about the collective agreements affecting equal pay for women and men. The absence of accurate and reliable statistics on collective agreements that incorporate the principle of equal pay for women and men constitutes an obstacle to the efforts made to eliminate the pay gap.

The responses provided by the Member States reveal that information about collective agreements relative to equal pay for women and men can be gathered by different institutions: the ministry responsible for work, a tripartite body, or a body responsible for mediation between the social partners. It is not realistic to compare countries on the basis of the number of collective agreements in the field of earnings inequality, in view of the differences in terms of population, the level of the negotiations, etc.

### **III. Indicator relating to the effects of part-time work, parental leave, time credit systems and career breaks on the gender pay gap**

The third indicator aims to analyse the effects of certain flexible working arrangements on the difference in pay between women and men.

The national policies aimed at more easily reconciling working life and family obligations typically cover the systems governing child care and various types of child care leave, particularly parental leave.

Parental leave is provided in all the countries of the EU. The minimum duration is 4 months; it is generally taken by the mothers. When it exists, the compensation linked to this leave may be fixed or may correspond to a fraction or the whole of the salary (the least frequent case).

There is a direct link between the provision of child care and the opportunity for paid employment for the parents. Some countries (BE, DK, ES, SE) have achieved (and exceeded) the Barcelona objective as regards the level of coverage of children by the childcare systems. Generally speaking, the child care services are subsidised and their cost depends on the parents' income. In some countries, these services are free for people on a low income.

In several countries, legislative measures have been adopted to enable workers to arrange their working hours in a flexible way (BE, DE, NL, SE, UK). Prizes and subsidies can also be awarded to encourage companies to adopt policies favourable to balancing family and working life (AT, DE, FR).

Women's employment situation is characterised by long career breaks for family reasons and a level high of part-time work. This is because family responsibilities are not always shared fairly.

Combined with the lack of care infrastructure for children, this situation often forces women to reduce their hours of work, to opt for parental leave or to abandon the labour market altogether in order to perform family care tasks. The negative consequences in terms of career development, promotion and remuneration are direct. As long as men do not play their part in family responsibilities, this situation will continue to be disadvantageous for women. According to the responses to the questionnaires, a number of governments are making the whole of society aware of the effects of flexible forms of employment on the gender pay gap.

## **Conclusion**

Pay differences between women and men persist. In almost all Member States pay gap figures have evolved only very slightly in recent years. Pay gap reductions are limited and unstable. In a number of states the gap has even increased .

The average pay gap for the EU-27 is 18%.

In the Europe of the 21<sup>st</sup> century a pay gap between women and men is not acceptable. The parties concerned have repeatedly expressed their commitment to fighting this inequality.

The battle against the pay gap requires the reliable and detailed collection of quantitative and qualitative data. In order to draw up this report the numerical data was provided by Eurostat, and the Member States were asked for information concerning their policies. Nevertheless it was not possible to calculate all indicators for all Member States. Better data collection and a further harmonisation of data remain essential.

These data must also be analysed and processed in a clear and harmonised way. The nine indicators relating to the pay gap that were approved by the Council of Ministers in 2001 have been evaluated and updated. The ten modified indicators proposed in the report are:

## **I. General gender pay gap indicators**

Indicator 1: Ratio for all employees

Indicator 2: Ratio for the total sum of wages

## **II. Inequality factors**

Indicator 3: Ratio for part-time work

Indicator 4: Ratio by age and education

Indicator 5: Segregation in the labour market

Indicator 6: Ratio according to personal characteristics (new indicator 2010)

## **III. Relative weight of these factors**

Indicator 7: Breakdown of the hourly wage gap between men and women using the Oaxaca technique

## **IV. Policies combating the pay gap**

Indicator 8: Measures to promote equal pay and combat the gender pay gap (to be assessed every 4 years)

Indicator 9: Influence of collective bargaining on the promotion of equal pay and the elimination of the gender pay gap

Indicator 10: Effects of part-time work, parental leave, time credit systems and career breaks on the gender pay gap

Eliminating the pay gap between women and men remains a challenge to be overcome.

Accelerating the progress in this field requires a strong commitment on the part of all concerned.

The Member States and the social partners are called upon to coordinate their efforts in a framework of targeted and consistent approaches in an effort to tackle the multiple causes of pay inequalities between women and men and do this at both the national and European level, including in the context of implementing the Europe 2020 Strategy.