

The gender pay gap. Origins and policy responses.

A comparative review of thirty European countries

**The co-ordinators' synthesis report prepared for the Equality Unit,
European Commission**

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Final report, July 2006

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* see bibliography for details of national evaluation reports and visit the network's web site for further information: <http://www2.umist.ac.uk/management/ewerc/egge/eggsie.html>

This report was prepared by members of the co-ordinating team of the Expert Group on Gender, Social Inclusion and Employment (EGGSIE) for the Equal Opportunities Unit of the European Commission. The co-ordinators of the EGGSIE network are Colette Fagan, Jill Rubery and Janneke Plantenga.

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Country abbreviations:

BE	Belgium
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
IS	Iceland
LI	Liechtenstein
NO	Norway
BG	Bulgaria
RO	Romania

Executive summary

Introduction

Reducing the gender pay gap is an important topic on the European political agenda. Since 1999 it has been part of the European Employment Strategy and policy efforts have intensified over the years. In 2003 member states were called on to formulate targets in this respect in order “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”. This report addresses the gender pay gap. Data will be provided on the extent and the development of the gender pay gap for 25 EU member states. In addition, the report contains information from three EEA countries, Iceland, Liechtenstein, Norway, and two candidate countries, Bulgaria and Romania. In particular the report focuses on how public policies try to reduce wage differences between women and men.

Facts

The gender pay gap refers to the differences between the wages earned by women and by men. In order to take into account differences in working hours and the impact of the income tax system most estimates are based on differences in gross hourly wages. The gender pay gap is then calculated as the ratio of women’s average gross hourly wage to men’s average gross hourly wage, or as the difference between men’s and women’s gross hourly wage as a percentage of men’s average gross hourly wage. Yet estimates of the gender pay gap differ widely, depending on the data available, the specific sample, and the method used. As a consequence, there is wide variation in results over time, between countries and even among studies for a particular country. Despite all variation, there are a few regularities, however. In comparison to a random sample of the total population, the gender pay gap is much lower if only a sample of new entrants in the labour market is investigated; the gender pay gap thus tends to widen with age. Secondly, the gender pay gap is smaller in the public sector and thirdly the pay gap is higher for married employees and significantly lower for singles.

The data presented in this report are based on the Structure of Earnings Survey 2002 (SES). This survey is considered as the most reliable source with respect to harmonised pay data. Unfortunately, however, the data cover only employees in the private sector (NACE C to K), excluding public sector, health care and education. This might influence the extent of the gender pay gap in two ways: women tend to be over-represented in the public sector and the extent of the gender pay gap is smaller in the public sector compared to the private sector. On the basis of the SES data, it appears that at the level of EU25, the gender pay gap is almost 25% (data for Malta, Iceland and Liechtenstein are missing). The largest gap is found in the UK (30%), the smallest in Slovenia (11%). Comparing the development of the gender pay gap over time is a complicated affair, primarily because of data problems. Yet, the gender pay gap at the level of the EU25 seems to be fairly stable over the last decade. The

variation is, however, large, with some countries showing a decrease and others an increase.

Origins

The gender pay gap is determined by several factors. Traditionally, within the context of human capital theory, differences in pay are explained by differences in individual characteristics like age, education and experience. Evidence suggests, however, that these differences only play a minor role in the persistence of the gender pay gap. The improved educational situation and the increased female participation rate have diminished gender specific differences in individual characteristics, although in some countries gender differences in experience still play a role. Instead, the gender pay gap seems more related to the level of occupational segregation and the wage structure. Women tend to work in different occupations and industries than men and are penalized because of that. The extent of the penalty may differ, though, depending on the wage structure; a more compressed wage structure is likely to diminish the gender pay gap. This implies that in order to reduce the gender pay gap not only differences in activity and employment rates need to be addressed, but also differences in the wage structure and differences in the remuneration between men and women.

The current trend towards a more decentralized and individualized system should in this respect be assessed as a rather worrying development. As wages are increasingly set at local or company level, inter-firm and inter-industry wage differences may increase, thereby potentially increasing the gender pay gap. In addition, the rise of a variable and performance-based pay system may increase the overall wage difference between men and women. In fact women seem to be swimming upstream: women with an improved educational background, fewer children and shorter periods of employment interruption are confronted with a labour market with growing wage differentials and a reduced share of collectively agreed wages and wage components. As a result, the differences in wages remain more or less the same. This conclusion emphasizes the need for effective policies targeting both female labour market participation as well as institutional factors like wage formation systems and the overall wage inequality.

Policy responses

The European member states indicate a rather diverse picture when it comes to tackling the gender pay gap. In quite a number of countries the gender pay gap has little profile neither in the public debate nor on the policy agenda. In other countries, though, the persistence of the gender pay gap has initiated several policy initiatives targeted towards closing the gender pay gap. Some policies refer to improving the effectiveness of equal pay legislation aiming at tackling direct or indirect gender wage discrimination. More effective equal pay policy may demand additional legislation, for example the obligation on employers to justify pay differentials and to apply transparent and understandable systems of remuneration. Most countries are, however, rather reluctant to interfere in the wage setting mechanism which is seen as the primary responsibility of social partners. The emphasis on deregulation and voluntary action by employers severely limits the support of an effective comparable worth strategy. Although the principle of equal pay for men and women applies to work of equal value, most countries refrain from audits of internal pay formation in

order to identify discriminatory elements, or from introducing wide-ranging pay evaluation schemes that cross the boundaries set by companies and branches of industry.

Other policies targeted towards closing the gender pay gap try to enhance equal opportunities and aim at more continuous employment patterns. Available and affordable childcare is seen as an import precondition in this respect. In only a few countries is childcare seen as a social right and offered at highly subsidised prices. In other countries, public subsidies are limited and childcare services are only supplied through the private market at high prices; this no doubt affects the earning capacity of women negatively. Improving leave arrangements is another important part of equal opportunities policy. In order to improve the relative earnings of women it should be taken into account, though, that the leave should not be too long and should be equally divided between men and women. An equal division implies in any case that the leave should be paid, whereas reserving weeks for the father might also be extremely helpful. Another element of equal opportunities policy would be to encourage young girls to consider a wider range of occupational options. Breaking down occupational rigidities is important and may be part of the answer to the problem of unequal pay. Yet remedies for the gender pay gap that promote a change in occupational choices, leave unspecified who will take the important and growing jobs in the care and services sector. Too much emphasis on de-segregation without changing the wage structure may also leave room for a new segregation based on ethnic lines. In that respect, re-assessing the relative wage of female-dominated jobs might be a more appropriate strategy.

A third lever refers to wage policies aimed at reducing wage inequality and improving the remuneration of low and/or female-dominated jobs. Actual policy initiatives in this respect vary from a general policy towards increasing the level of the minimum wage to a re-evaluation of low paid jobs. The actual policy mix may depend on national particularities and the prevailing analysis of the origins of the gender pay gap. The emphasis on deregulation and voluntary action by employers may restrict national policy options in some countries, especially with regard to wages. In these circumstances social partners (especially trade unions) may take over and actively campaign for a more gender equal wage structure.

Best practices

Taking into account the different socio-economic backgrounds, the national reports present a broad range of innovative policy initiatives that may be gathered under the heading 'best practices'. The availability of relevant information is an important starting point when tackling the gender pay gap. Therefore, the dissemination of information among relevant actors such as employers and employees is an important tool to raise awareness of the extent and seriousness of the problem. Actual policy in this respect varies from initiating a study, to the organisation of a national 'Equal Pay Day' and the introduction of legislative measures with respect to gathering data at the company level. In addition, social partners are important allies when tackling the gender pay gap. As the national reports show, social partners seem increasingly willing to take action to reduce the gender pay gap, especially with respect to providing information and awareness raising.

The establishment of gender specific institutions is another important step to support the implementation of equal pay legislation. Initiatives in this respect refer to setting up an office for equal treatment, or improving the institutional mechanism for gender mainstreaming. In addition, some countries report the installation of equal pay task forces, with the main task to mobilise all relevant actors in the field of equal pay and to vitalise the debate on equal pay.

Another line of policy initiatives is directed towards a more integrated system of wage setting. According to EU legislation, men and women should be paid equally for equal work or for work of equal value. In order to determine the value of a job, job evaluation systems are often used, which, however, may be (in)directly discriminatory against women. It is therefore important that a critical assessment of system-specific characteristics and criteria is made. In several countries policy initiatives are aimed at the development and application of gender-neutral systems of job evaluation (comparable worth strategy). In addition, some national reports provide good practices with respect to wage setting at the sectoral or company level.

Finally best practices refer to legal measures. As described above the principle of equal pay for equal work or work of equal value is part of EU legislation and all countries have included this principle in their national legislation. Countries may take additional legal measures to improve the effectiveness of the equal pay legislation. Best practices in this respect refer to the obligation posed on employers to bargain on equal pay, and 'gender duty' on public authorities, in order to promote equal opportunities between men and women.

Summarising the current state of affairs, it appears that most best practices refer to the availability and dissemination of information. That is: the best practices refer to actions undertaken to disseminate knowledge and raise awareness of the extent and seriousness of the problem. This is an important first step, yet still a long way from presenting actual solutions. Only a few countries provide examples of more offensive strategies like legal measures enforcing equal pay or policies directed towards strengthening the infrastructure.

Conclusions

The persistence of the gender pay gap, its low profile in a considerable number of European countries and the rather cautious attitude that is implied in the best practices, emphasise the need for an effective policy framework at the level of the European Union. Setting targets might be helpful in this respect. As part of the European Employment Strategy in 2003 the member states were called on to formulate targets to achieve a substantial reduction of the gender pay gap in 2010. In 2005, however, the EES has been revised with more emphasis on integrating employment policies with macroeconomic and microeconomic policies in order to maximise the synergies and to increase their efficiency. In the new set-up the reduction of the gender pay gap is no longer formulated as a special target but included in two general guidelines. Moreover an explicit timeframe is not stated. As a result the attention on the gender pay gap seems to be lost in other employment issues. In order to increase the profile of the gender pay gap at the national level it seems essential to formulate concrete objectives and timetables on the closing of the gender pay gap at the European level. Depending on the national situation these objectives

should be implemented in the individual countries along the lines of the open method of coordination.

1 Introduction

1. Reducing the gender pay gap is an important topic on the European political agenda. Since 1999 it has been part of the European Employment Strategy and policy efforts have intensified over the years. In 2003 member states were called on to formulate targets in this respect in order “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 Decision 2003 L197/20). Eliminating the gender pay gap is also an important objective of the recently published Roadmap for Equality between Women and Men, 2006-2010 (EC 2006). The persistence of the gender pay gap, according to the Roadmap, results from direct discrimination against women and structural inequalities, such as segregation in sectors, occupations, and work patterns, access to education and training, biased evaluation and pay systems and stereotypes

2. In addition, European social partners as organised in UNICE/UEAPME, CEEP and ETUC, agreed in March 2005 to reduce the gender pay gap within their ‘Framework of Actions on Gender Equality’. It is emphasised “that it is very important to better understand the numerous and complex factors explaining wage differences between women and men and take action accordingly”. Joint commitment is seen as essential. In addition, three elements are seen as key to tackle the gender pay gap: providing information on legislation and giving guidance on how to help to close the gender pay gap at different levels; developing up to date statistics and promoting the availability of gender specific information at the appropriate levels and, finally, ensuring that pay systems are transparent and gender-neutral and paying attention to the possible discriminatory effects of secondary elements of pay.

3. This report addresses the gender pay gap. Data will be provided on the extent and the development of the gender pay gap for 25 EU member states. In addition, the report contains information from three EEA countries, Iceland, Liechtenstein, Norway, and two candidate countries, Bulgaria and Romania. In particular the report focuses on how public policies contribute to reduce (or aggravate) wage differences between women and men. As such the report provides an update and an extension of the reports provided by the Expert Group on Gender and Employment under the auspices of the European Commission. In 2001, a report on the indicators used to monitor gender equality included a chapter on the pay gap and analysed the statistical data available at the European level (Barry et al. 2001). In 2002, an extended report analysed what factors influence differences in pay across the EU in the context of the debate around the adjusted or unadjusted indicator of the pay gap (see Rubery et al. 2002 for the synthesis report on EU 15).

4. The structure of this report is as follows. Chapter 2 provides some facts and figures on the extent and development of the gender pay gap. Chapter 3 deals with the causes. The gender pay gap reflects the different status of men and women in the world of paid work, which may relate to differences in age, education, patterns of employment, under-valuation and discrimination. Chapter 4 concentrates on policy responses; several initiatives have been taken to improve the labour market position of

women and to diminish wage differentials. Chapter 5 presents information on good practices, while Chapter 6 presents the conclusions.

2 Facts

The gender pay gap

5. The gender pay gap refers to the difference between the wages earned by women and by men. In order to take into account differences in working hours and the impact of the income tax system most estimates are based on differences in gross hourly wages. The most common method is to calculate the gender pay gap as the ratio of women's average gross hourly wage to men's average gross hourly wage, or as the difference between men's and women's gross hourly wage as a percentage of men's average gross hourly wage. In this case the gender pay gap indicates how many percentage points the earnings of men have to decrease in order to be equal to those of women. Another method is to use the earnings of women as a reference point. In that case the gender pay gap indicates how many percentage points the earnings of women have to increase in order to be equal to those of men (Einarsdóttir and Blöndal 2004, cited in Mósesdóttir et al. 2006: 90). From a policy point of view this definition seems to be more correct. Yet as the EU Indicators for monitoring the Employment Guidelines take the earnings of men as point of reference, the gender pay gap in this report is also calculated as the difference between men's and women's average gross hourly wage as a percentage of men's average gross hourly wage.

6. Quite apart from differences in definition estimates of the gender pay gap differ widely, depending on the data available, the specific sample, the method used etc. The same country may have a relatively wide, average or even narrow gender pay gap depending on the data-source used (Barry et al. 2001: 86). As a consequence, there is wide variation in results over time, between countries and even among studies for a particular country (Rubery et al. 2002: 55-60). Yet despite all variation, there are a few regularities (Barry et al. 2001; Wechselbaumer & Winter-Ebner 2005; Mósesdóttir 2003, 2006). In comparison to a random sample of the population, the gender pay gap is much lower if only a sample of new entrants in the labour market is investigated. Put differently, the gender pay gap tends to widen with age, with women's relative pay lowest for those aged over 55 years old (European Commission 1998: 62; Barry et al. 2001: 96). Secondly, the gender pay gap is smaller in the public sector. This may be due to the fact that public sector employment typically has a more compressed wage structure compared to the labour market as a whole, as well as to the fact that the public sector accounts for a higher share of female skilled and professional workers. Moreover, public sector employers may be more concerned with equal opportunities policies in recruiting and promoting employees than are private sector employers (Barry et al. 2001: 91). It also appears that the pay gap is higher for married employees and significantly lower for singles (Wechselbaumer & Winter-Ebner 2005: 494). Presumably this has something to do with the gender specific division of paid and unpaid work between the spouses.

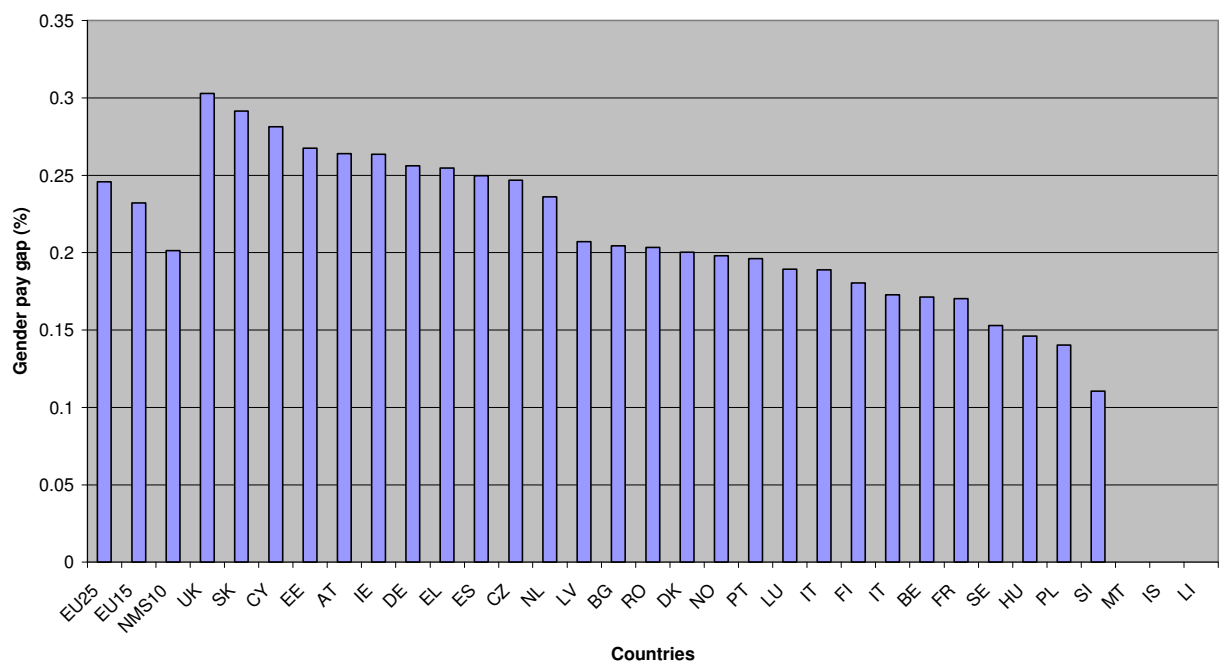
Gender pay gap in Europe

7. The data presented in this chapter are based on the Structure of Earnings Survey 2002 (SES). This survey is considered as the most reliable source with respect to harmonised pay data (Barry et al. 2001). Since 1999 the member states are obliged to carry out the SES. The reference year of the first (and still most recent) year is 2002.

The main results of this survey are online available at the website of Eurostat. The SES covers all EU member states, except Malta. Moreover, the acceding countries Bulgaria and Romania are included, as well as Norway and Iceland. Unfortunately, the data cover only employees in the private sector (NACE C to K), excluding health care and education. This might influence the extent of the gender pay gap in two ways: women tend to be over-represented in the public sector and the gender pay gap tends to be lower in the public sector compared to the private sector (see above). In addition, the survey includes enterprises with at least 10 employees (inclusion of smaller enterprises was optional). The exclusion of small enterprises may affect the figures for Southern countries in particular, given the fact that these countries record roughly 20-25% of total private employment in this segment. Employees are all persons who have a direct employment contract with the enterprise or local unit and receive remuneration, irrespective of the type of work performed or the number of hours worked (Mittag 2005).

8. Figure 1 provides an overview of the gender pay gap per country. The data refer to 2002, with the exception of the German data, which refer to 2001. In line with the EU Indicators the gender pay gap is calculated as the difference between men's and women's average gross hourly wage as a percentage of men's average gross hourly wage. Overtime payments are not included. At the level of EU25, the gender pay gap is almost 25% (data for Malta, Iceland and Liechtenstein are missing). The largest gap is found in the UK (30%), the smallest in Slovenia (11%). Countries like Ireland, Austria, Estonia, Cyprus and Slovakia do not seem to be doing very well on this indicator, whereas Poland, Hungary, Sweden, France and Belgium score more favourable. All in all, it appears that the gender pay gap for the new member states is somewhat smaller than for the former member states – yet the differences are not very large.

Figure 1 Gender pay gap in EU25, Romania, Bulgaria and Norway, 2002*



Source: Eurostat: SES 2002

* No data available for Malta, Iceland and Liechtenstein

Developments over time

9. Analysing developments of the gender pay gap over time proves to be a perilous undertaking. The main problem is the quality of data. As Rubery et al. (2002) observe, countries may show unexpectedly strong swings in pay ratios from one year to another, suggesting that these trends may also reflect differences in survey quality. Eurostat provides data on the gender pay gap between 1994 and 2004. The target population consists of all paid employees aged 16-64 who work at least 15 hours per week. The data are, however, not based on the SES but on several other sources such as the European Community Household Panel (ECHP), the EU survey on Income and Living conditions (EU-SILC) and national sources. This hampers the comparability considerably. Moreover, for several countries there is a break in series and/or not all years are available. Data on the development of the gender pay gap should therefore be treated with more than the usual caution.

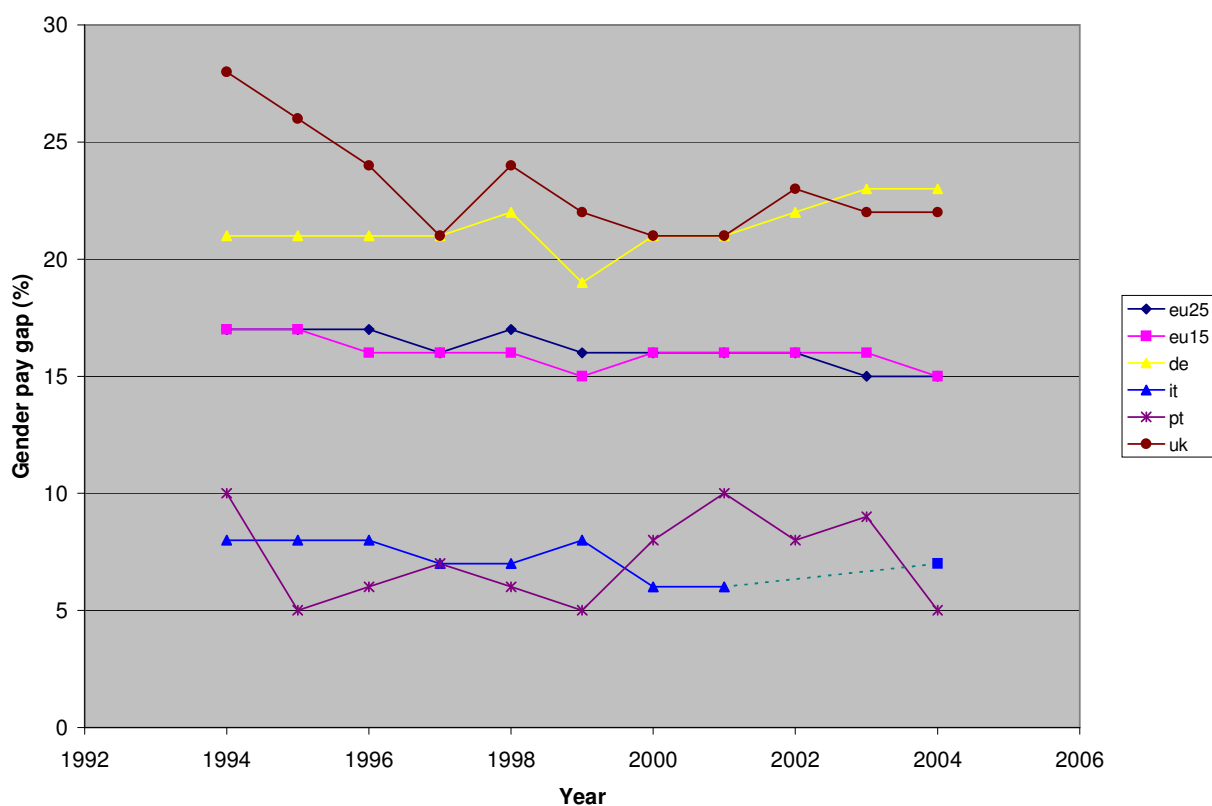
10. Figure 2 provides some information on the development of the gender pay gap for the period 1994-2004. It should be noted that the gender pay gap in this figure is considerably lower than in figure 1, due to a different source. Figure 1 is based on SES data covering only the private sector whereas the data in figure 2 are from ECHP and SILC, which include both the private and the public sector. On the basis of these ECHP/SILC data, the gender pay gap at the level of EU25 proves to be fairly stable. Yet there are quite substantial differences between individual European countries. Some countries indicate a decrease between 1994 and 2004, although the development is not always linear, but characterised by swings. Moreover, in several countries with a relatively small gender pay gap in 1994, the gap seems to stagnate or even widen. Examples are Sweden, (16% in 1994, 17% in 2004) and Denmark (11% in 1994, 15% in 2001, and 17% in 2004, but this might be due to a break in the series since 2002). For the sake of illustration figure 2 shows the development of the gender pay gap in two countries with a higher than average pay gap (Germany and UK) and two countries with a lower than average pay gap (Portugal and Italy). The UK shows a decrease, but with relatively large swings (and a break in the series in 2002); the development in Germany seems rather stable (again with a break in the series in 2002). Italy has a small gender gap and is rather stable; Portugal indicates large swings, with a clear drop in 2004, which, however, may be again related to a break in the series.

11. The differentiated patterns seem in line with the findings of other studies. ECHP data for the period 1994-1998, covering EU15, reveal no general trend towards closing the gender pay gap: the unadjusted gender pay ratio for all workers increased in 8 member states (in terms of the gender pay gap this implies a decrease), whereas it decreased in 5 member states (Rubery et al. 2002). Data from the Harmonised Earnings Database, which is an annual survey on pay with limited coverage in EU15, over the period 1995-2000 show a widening of the pay gap in three countries and a narrowing in five countries. Over a longer period of time, however, most countries seem to indicate a decrease in the extent of the gender pay gap. OECD (2002) investigated changes in gender pay gaps over a period of 15 to 20 years. In all countries in the study the pay gap decreased quite substantially. The decrease was

largest in the US (38% between 1979 and 1999) and smallest in Sweden (14% between 1975 and 1995). It has to be taken into account, though, that in Sweden much of the narrowing of the gender pay gap had already been accomplished in the 1970s.

12. These empirical findings seem to be confirmed by national research. In France, for example, the average pay of women relative to men's rose from 64% in the 1960's to 82% in 1996 (research covering full-time workers in the private and semi-public sectors). Germany has three different sources of data on the gender pay gap. All three sources point towards a decrease over time, though the variation is quite considerable. According to one source, covering full-time employees in manufacturing and parts of the service sector (small firms excluded), the gender wage ratio based on hourly earnings in West-Germany increased from 59.9% in 1950, to 73.3% in 1991 and 71.2% in 2004. According to another source, covering employees in all sectors (except the public sector) who had been insured in social insurances during a year, the gender wage ratio was smaller: 76.2% in 1993 and 76.9% in 2001. In the UK the gender wage ratio increased from 72% in 1982 to 82% in 2001. Progress was, however, slower in the 1990's. Among part-time workers the gender wage ratio increase was considerably lower, rising from 56.8% in 1982 to 59% in 2001. Women in Poland seem to have taken advantage of the change in economic system in 1989. Though the estimates on the timing and size vary per study, the results indicate an increase of the gender wage ratio. The same trend is recorded in Hungary.

Figure 2 Development of the gender pay gap in EU25, EU15, Germany, Italy, Portugal and UK, 1994-2004



Source: Eurostat: ECHP and SILC

Notes: EU25 and EU15: Eurostat estimates

Germany: break in series in 2002

Portugal: break in series in 2004
United Kingdom: break in series in 2002

Summary and conclusions

13. There is no such thing as ‘the’ gender pay gap. Estimates about the differences between male and female wages depend on the data available, the specific sample, and the method used. As a consequence, there is a wide variation in results over time, between countries and even within a particular country. Most sources, however, indicate that the pay gap is relatively small among new entrants at the labour market, among singles and in the public sector. The most recent SES data for 2002, covering only the private sector, indicate a quite substantial pay gap between men and women. All in all, the gender pay gap in the 25 member states is almost 25%. The largest gap is found in the UK (30%), the smallest in Slovenia (11%). Comparing the development of the gender pay gap over time is a complicated affair, primarily because of data problems. Yet, the gender pay gap at the level of the EU25 seems to be fairly stable over the last decade. Again, however, the variation is large, with some countries showing a decrease and others an increase. Over a longer period of time, though, most countries seem to indicate a decrease in the extent of the gender pay gap.

3 Origins

Theoretical considerations

14. Traditionally, differences in pay are explained by differences in individual characteristics. Especially within the framework of human capital theory, the gender pay gap is analysed in terms of gender differences in productivity-related qualifications like education, training and experience. Given the gendered division of labour, women are considered less likely to invest in market-oriented formal education because they expect a shorter and more discontinuous working life; an investment in education will therefore not pay off well in the future. More limited experience and less investment in education will reduce their productivity and will translate in lower wages. Therefore, in order to compare like with like, it is important to adjust the pay data so as to unravel which part of the overall gender pay gap is the result of differences in individual characteristics. In addition to the 'classical' human capital variables, it is quite common to adjust the pay data also for differences in job characteristics. That is: variables like occupation, job level and firm size are included in order to make a more neat comparison. The part of the gender pay gap that can not be attributed to differences in human capital or job characteristics may be the result of discrimination, an incomplete listing of the relevant explanatory variables, or both (Blau & Kahn 1996, 1997, 2000; Rice 1999; Rubery et al. 2002).

15. As a start, the extent of discrimination may be analysed by adding a gender dummy in the standard wage regression model. The dummy variable captures the effect of sex, holding other things constant. In most studies however, the gender pay gap is decomposed into an explained and an unexplained part, following the original research of Blinder (1973) and Oaxaca (1973). In this procedure, as a first step wages are estimated separately for men and women. The total wage differential between men and women can then be decomposed into an explained part E due to differences in characteristics and an unexplained residual U , often referred to as the discrimination effect, which is due to both unobservable differences and the differences in rewards for identical characteristics. Discrimination in this approach is thus defined as the difference between the observed ('unadjusted') gender pay difference and the gender pay difference that would prevail if men and women were paid according to the same criteria (Rice 1999; Rubery et al. 2002; Weichselbaumer & Winter-Ebmer 2005) (see the statistical appendix for a formal exposition of the Oaxaca–Blinder decomposition).

16. The unraveling of the overall gender pay gap into unequal productivity on the one hand and unequal treatment on the other seems relatively straightforward. Yet there has been a lot of debate about which variables have to be included in the wage regression. Especially the status of the control variables like occupation, industry and firm size is controversial. It could be argued that gender differences in these job characteristics are a reflection of discrimination rather than productivity, and as such, they should not be included as explanatory variables in the earnings function. As already mentioned by Oaxaca (1973: 699) the controls for occupation "eliminate some of the effects of occupational barriers as sources of discrimination. As a result, we are likely to underestimate the effects of discrimination". On the other hand the level of discrimination may be overestimated if not all relevant (productivity related)

variables are included. Given the usual difficulties with the available data, the unexplained part may more closely correspond to the ‘level of our ignorance’, than the actual level of discrimination. Given these complexities, the ‘neat compartmentalization’ between labour market discrimination of the one hand and a set of non-discriminatory filtering devices on the other may be deemed as overly simplistic (see for a more detailed criticism on this approach Rubery et al. 2002).

17. In addition to differences in individual and job characteristics, the gender pay gap may also be related to the overall structure of wages, that is ‘the array of prices determined for labour market skills and the rewards to employment in particular sectors’ (Blau & Kahn 2000). Especially following the work of Juhn, Murphy and Pierce (1991) on trends in race differentials, the gender pay gap has been analysed within the context of the overall structure of wages. The logic behind this is rather straightforward. Since women, on average, tend to have less labour market experience than men and work in different occupations, the gender pay gap will increase if the return to experience will increase or if the occupational wage differences will increase. The same reasoning applies when the gender pay gap is compared between countries; countries with a relative high rewards to skills and experience and a relative large wage dispersion will tend to have larger gender pay gaps – all else equal. Or, as phrased by Blau and Kahn (2000: 81): “If, as the human capital model suggests, women have less experience than men, on average, the higher the return to experience received by workers regardless of sex, the larger will be the gender gap in pay. Similarly, if women tend to work in different occupations and industries than men, perhaps due to discrimination or other factors, the higher the premium received by workers, both male and female, for working in the male sector, the larger will be the gender pay gap”.

18. The structure of wages may be affected by the structure of supply and demand, technological change (strongly growing innovative firms might pay high wages for highly trained workers) and by the wage-setting institutions. Centralized systems of wage setting, for example, tend to reduce inter-firm and inter-industry wage variation, thereby potentially lowering the gender pay gap. In addition, because in most (if not in all) countries the female wage distribution lies below the male distribution, centralised systems that raise the minimum pay levels, regardless of gender, may also have a positive impact on the gender pay gap. By taking into account the wage dispersion, the Juhn-Murphy-Pierce decomposition is no longer based on the average worker, as in the Oaxaca-Blinder decomposition, but rather on the distribution of the workers over the wage structure (Blau & Kahn 1996, 2000, 2003; Rubery et al. 2002). Applying the Juhn-Murphy-Pierce decomposition to the gender pay gap makes it possible to distinguish between gender-specific factors on the one hand and the effect of a country’s labour market structure on the other. In particular it is possible to study the effect of the national wage structure when comparing low gap and high gap countries. In addition, the Juhn-Murphy-Pierce decomposition makes it possible to study the impact on the gender pay gap of wage structures becoming more (or less) egalitarian (see statistical appendix for a formal exposition of the Juhn-Murphy-Pierce decomposition).

19. In line with the growing emphasis on the importance of wage setting institutions, Rubery et al. (2002) argue that the increasing interest in gender pay equality in the EU needs to be translated into an active debate on the gender effect of pay policies. The

importance of this gender mainstreaming approach is that it shifts the focus from female deficits or deficiencies to discrimination within policies and practices as embedded in institutional arrangements, social norms, market system and pay policies. Wage structures, according to Rubery et al., are not simply based on the productivity of workers. “The reality is much more messy and reflects current and historical influences. Social norms on the one hand and managerial strategies on the other interact with market processes to shape payment systems. This messy reality allows considerable scope for changing pay structures and practices in both public and private sectors” (Rubery et al. 2002: 4). The role of social norms and collective wage setting institutions in generating pay discrimination against women also constitutes the core of the argument in feminist literature pointing to the social under-valuation of women's work as a distinct factor explaining the gender pay gap. According to this argument, the gender pay gap cannot be only explained by gender differences in average human capital characteristics, occupational segregation and direct discrimination by employers, but also by the under-valuation of women's work in female-dominated occupations and industries (Karamessini & Ioakimoglou, forthcoming).

20. These considerations seem to be confirmed by a EU-study on the gender pay gap for 13 EU member states, based on data from the ECHP (EC 2002). On the basis of this particular data source it appears that in 1998, women's gross hourly earnings are on average 16.2% below those of men. Key issues contributing to the gender gap are earnings differences between men and women with children, gender segregation by sector and occupation, with a higher concentration of women in low paying sectors and occupations, and in particular, lower earnings of women in female-dominated sectors and occupations that cannot be explained by productivity differences between sectors and occupations. When decomposing the gender pay gap by member state, it appears that the fractions of the gender pay gaps which are due to differences in personal and job characteristics of the male and female workforce vary significantly. Up to half of the gender pay gap in Ireland and Denmark and more than a third in Austria and the UK is the result of differences in personal and job characteristics between men and women. In many southern EU-member states, the observed gender pay gap seems mainly due to differences in the remuneration of personal and job characteristics. In most member states, therefore, even if the composition of the male and female workforce were identical, substantial gender pay gaps would still subsist.

21. From a policy point of view, the EU study underlines that in order to reduce the gender pay gap different factors need to be addressed: differences in activity and employment rates, differences in the wage structure, differences in the workforce composition and differences in the remuneration between men and women. “In line with other research, the differences in gender pay gaps and related factors across countries, and the evidence on sectoral and occupational segregation in particular, suggest that both differences in female labour market participation as well as macroeconomic and institutional factors, including job classification and wage formation systems, wage structures and overall wage inequality and collective bargaining coverage are likely to impact on gender pay gaps and to explain substantial parts of cross country differences in these gaps” (EC 2002: 43).

Results from national studies

22. The decreasing role of human capital factors on the one hand, and the importance of segregation and the overall wage structure in explaining the gender pay gap on the other, seems to be confirmed by most recent national research. Box 1 presents an overview of the relative importance of individual and job characteristics for the EU countries. Again it has to be taken into account that it is fairly difficult to combine the results of the national studies, due to differences in database, methodology, year of analyses etc. Yet, most studies seem to indicate that job characteristics, like occupation and industry account for most of the pay gap. In addition, in a few countries, depending on changes in the level of female labour supply, gender differences in experience still play a role (for example, Greece, Ireland, Netherlands, Portugal and Slovakia).

Box 1 Results of national studies on gender pay gap: the relative importance of individual and job characteristics

BE	The gender wage gap has decreased from 15.8% in 1994 to 13.4% in 2001. Part of the reduction is due to improvements in female characteristics over time: the explained part of the gender wage gap decreased from 27% in 1994 to 17% in 2001. Adjusting for individual heterogeneity significantly reduces the adjusted pay gap by increasing the return to observed variables such as experience and education and by reducing the wage penalty associated with low-skilled occupations, a fixed employment contract and a relatively small enterprise size.
CZ	Human capital factors play a minor role in explaining the gender pay gap (Fischlová and Prokešová 2003; Jurajda 2003), more important are job characteristics (occupation, company size, sector and ownership) (Křížková at al. 2006).
DK	Horizontal and vertical segregation are the most important factors in the explanation of the wage gap. Human capital factors (as education and work experience) contribute to the explanation, other important factors are part-time employment and maternity and parental leave. Human capital factors seem to have a decreasing influence in the period 1997-2002 (Deding and Wong 2004).
DE	The gender pay gap can be attributed to (vertical and horizontal) occupational segregation, but seems to be connected to workplace related remuneration policies as well. Personal characteristics like age, education and years of employment play a minor role (Hinz and Gartner 2005).
EE	Human capital factors cannot explain the gender pay gap, given women's high level of educational attainment (Laas 2003).
EL	Gender differences in educational attainment play a small or insignificant role, while women's shorter work experience plays an important role in explaining the gender pay gap. A recent decomposition study has found that the most important determinant of the gap is gender differences in labour force participation (Kanellopoulos & Mavromaras 2002), while another attributes this role to occupational and industry segregation of employment by gender (Karamessini & Ioakimoglou 2003).
ES	The level of education is an important factor to explain gender differences in salaries after controlling for other factors, although there is not linearity in the relationship between these variables. Empirical evidence suggests that gender wage differences increase with salaries (Gardeazábal and Ugidos 2005; García et al. 2001). More in particular, the gender gap increases with salaries among people with university degrees. Among people with primary or secondary education it happens the other way around: the gender gap decreases with salaries (Simón 2006).
FR	The most recent econometric study of the gender pay gap (using the Blinder/Oaxaca decomposition technique) shows that out of a total gap of 25.4% (2002 employment survey), working time is the biggest determinant (12% of the gap); job characteristics (8%); whereas human capital plays a negative role in France (i.e. it has become a positive factor for women), but only at the level of 1.4% (Meurs and Ponthieux 2005,

	2006).
IE	Findings from national research indicate that a significant part of the gender pay gap is attributable to differences in years of experience and years out of the labour market. In addition, (vertical) segregation plays an important role (Barrett et al. 2000; Russell and Gannon 2002).
IT	All studies applying the Oaxaca-Blinder decomposition, found that for the most recent years about 70% of the gender pay gap is due to differences in the remuneration of the characteristics and only 30% or less to differences in characteristics. In addition, research covering a long period seems to indicate that the degree of pay discrimination increases (ISTAT 2005; Rustichelli 2005).
CY	More than half of the gender pay gap can be explained by differences in average characteristics but much of this explanation includes industry and occupation differences (Chrisofides and Pashardes 2000).
LV	Women in Latvia are, on average, better educated than men, have longer tenure and total work experience. Taking this into account, it appears that 60 percent of pay gap in Latvia has to be ascribed to discrimination or unobserved characteristics. Another 15 percent is due to occupational segregation (Hazans 2005).
LT	Human capital factors play a minor role in explaining the gender pay gap as women have a relatively high level of education. Based on statistical evidence, the official national documents (e.g. National Programme of Equal Opportunities for Women and Men for 2005-2009) indicate the importance of horizontal and vertical segregation of the labour market in explaining the gender pay gap.
LU	The main studies on the gender pay gap in Luxembourg (Lejealle 2001; 2002) show that the occupational differences account for much (40%) of the pay differences between men and women. In addition, gender differences in length of career are also an important factor (30%).
HU	Differences in educational attainment play a minor role, yet women's work experience is still considerably smaller, as they interrupt their work more often and for longer periods. Horizontal and vertical segregation plays a decisive role in the extent of the gender pay gap (Galasi 2000).
MT	No information available.
NL	Job level is the most important variable in explaining the gender pay gap. Other variables that play a role are age (indicating experience) and working full-time or part-time (Hoeben and Venema 2004).
AT	Only about 20-35% of the gender pay gap can be explained in terms of individual and job characteristics, whereas discrimination makes up about 65%-80% (Böheim et al. 2002:54). Unequal pay can be largely traced back to the unequal evaluation of 'men's work' and 'women's work' (Ranftl 2002:11). Regarding the 'explained' part of the gender pay gap working time and career breaks as well as vertical and horizontal segregation are import determinants (Gregoritsch et al. 2002: 64ff; Lutz 2003:87ff; Böheim 2002:53).
PL	The relative importance of human capital appears lower than job characteristics. On average women are better educated, and the gender pay gap is lower for older workers. Variables explaining the gender pay gap are: lower number of hours worked by women, occupational and industry segregation, lower pay in the public sector, firm size and less opportunity to earn additional income (Cichomski 2005; GUS 2005).
PT	Occupational differences account for much of the pay differences between men and women; human capital factors seem to have a decreasing influence, although differences in experience and tenure seem to neutralise the effect of diminishing importance of differences in education (González, Santos and Santos, 2005).
SI	Given women's high level of educational attainment and prevalent full-time employment, human capital and individual factors cannot explain the gender pay gap. More important factors are horizontal and vertical occupational segregation, connected with the traditionally determined and differently valued male and female

	social/labour market roles and activities (DVD 1998; Seljak 2003; Stanovnik et al. 2006).
SK	Occupational segregation is extremely important in explaining the gender pay gap; female-dominated sectors and occupations are synonymous for low wages. In addition, individual characteristics like age and education play a role (Večerník 1998).
FI	A relevant part of the pay gap is attributable to structural components like industry and occupation; personal characteristics like age, education and years of employment play a (very) minor role (Vartiainen 2001).
SE	Traditional human capital characteristics like education and years of employment play a (very) minor role. More important factors are the increased wage diversity in general and the fact that the employed in the public sector have lost in comparison to the employed in the private sector (Le Grand et al. 2001).
UK	Differences in human capital account for a smaller share of the gender pay gap (Joshi and Paci 1998) but differences in work experience do matter, with spells of part-time work having a negative impact on future earnings growth (Francesconi and Gosling 2005; Olsen and Walby 2004; Manning and Petrongolo 2005). Workplace variables are often more powerful than individual characteristics in accounting for gender pay differences (Anderson et al. 2001; Mumford and Smith 2005).
IS	The available studies do not present separately the importance of human capital factors on the one hand and occupational factors on the other hand when adjusting the gender pay gap.
LI	National research on the gender pay gap is missing. Experts point out, however, that occupational segregation plays an important role in explaining the gender pay gap. An additional factor seems to be the years out of the labour market whereas individual characteristics like education and age are no longer important.
NO	Impact of differences in age and education in the gender pay gap are small. More important factors are different working hours between men and women and occupational segregation, with women dominating lower paid occupations (Barth and Schøne 2006).
BG	Lower average wages for women are the result of concentration in lower paid positions; on average women are better educated (Agency for Social Analysis 2003).
RO	No information available.

Source: National reports

23. The importance of wage setting mechanisms and the overall wage structure is underlined in several national reports. In particular the recent trend towards more decentralised systems of wage setting is seen as an important factor (EC 2003). Fuelled by the need for increased flexibility, wage setting increasingly takes place at local or company levels. Denmark and Italy are seen as strong examples of this trend. Other countries where this trend is evident are Belgium, Austria, Germany, UK and the Nordic member states. Some countries, however, show a trend towards centralisation. Ireland is a clear example in this respect. The changes in the system of wage setting are relevant for the analysis of the gender pay gap as decentralised systems of wage setting are generally associated with increasing wage disparities which may translate into a higher gender pay gap (see Barry et al. 2002, Blau & Kahn 1997; OECD 2002). Some of the national evidence on the association between wage-inequality and the gender pay gap is gathered in box 2.

Box 2 Trends in wage-inequality and the gender pay gap.

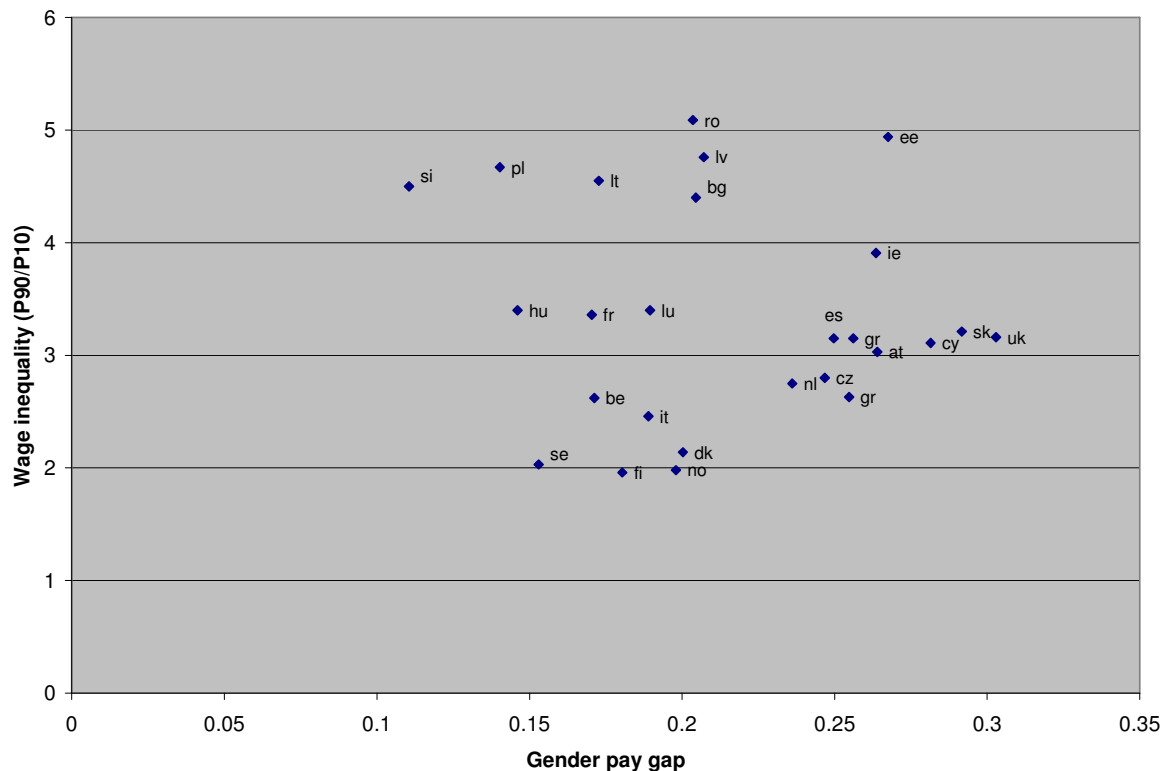
IT	The inequality in the distribution of net earnings decreased from the late 1970s until the end of the 1980s. Egalitarian demands from the trade unions translated into the
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	1975 reform of the wage indexation mechanism. In the presence of high inflation rates, this reform applied a strong egalitarian pressure on the earnings structure, compressing all wage differentials, including the gender pay gap. At the beginning of the 1990s there was a severe economic crisis resulting in the abolishment of the automatic wage indexation system. In addition, the wage bargaining system was reformed to control wage inflation. These institutional changes, together with the reform of the labour market regulation (enhancing flexibility) contributed to a rising earnings inequality in the early 1990's, including an increase of the gender pay gap (Brandolini et al. 2001).
PT	Research indicated that firm-specific arrangements have partly offset egalitarian effects of collective bargaining and have increased the wage dispersion. In addition, this wage flexibility has had a negative impact on the gender pay gap (Cardoso & Portugal 2003).
SE	One explanation as to why the gender pay gap first narrowed and later widened in Sweden, in spite of women's continued investment in human capital, might be the general development of wage differences. Between the 1960's and the beginning of 1980's the wage differences in general reduced, partly as a result of collective bargaining and a more solidaristic wage policy. During the 1980's the wage differences increased as a result of which also the gender pay gap widened (Le Grand et al. 2001). Another explanation for the specific development of the gender pay gap might be a change in the relative position of the public sector. In 1968 those employed in the public sector earned on average 2 per cent less than those employed in the private sector (controlling for educational level and years of experience). In 1991 this difference had increased to 11 per cent and in 2000 to around 16 per cent (Le Grand et al. 2001: 170). Since a large proportion of the employed women work in the public sector, this development has harmed women more than men.

Source: National reports

24. The association between wage inequality and the gender pay gap used to be visible in a longitudinal as well as a cross section analysis. For example Barry (2001) demonstrates a positive association between the level of wage inequality, measured as the inter-decile ratio (D9/D1) and the gender pay gap on the basis of EU15 for the year 1995. This positive correlation is, however, not confirmed when the analyses is repeated on the basis of EU 25 for the year 2002 (see figure 3). This seems mainly due to a number of new member states (e.g. Slovenia, Poland, Lithuania and Latvia) and Romania and Bulgaria where the level of wage inequality does not seem to be related to the level of the gender pay gap, perhaps due to the different economic systems of these countries. When looking at the former EU15, the positive association between wage inequality and gender pay gap is more visible. Traditionally, in the Nordic countries wage inequality is rather low, as is the gender pay gap. The same applies to Belgium and Italy. At the other side of the spectrum are Ireland and the UK.

Figure 3 Wage inequality and the gender pay gap in EU25, Romania, Bulgaria and Norway, 2002*



Source: Eurostat: SES 2002; EC 2005 (wage inequality)

* No data available for Malta, Sweden, Iceland and Liechtenstein

25. Another important development related to the wage setting mechanisms is the rise of variable and performance-based pay systems. Variable pay systems may be divided in three main categories (EIRO 2001: 1):

1. Payment by result (PBR) schemes, whereby there is a direct relationship between employees' pay and output (e.g. piece rates);
2. Schemes whereby employees are encouraged to work to certain standards without necessarily entailing a direct relationship with production, such as performance-related pay (PPR) schemes;
3. Financial participation schemes whereby workers are entitled to a share of the company's performance or profitability (e.g. profit-sharing or options).

26. In principle, paying workers more in accordance with their performance may be favourable for women and reduce the gender pay gap. An important precondition in this respect is an objective system of performance evaluation. At the same time, however, an increase in performance-based pay systems may increase gender wage differences. Firstly, it may be the case that firms limit variable pay to certain jobs, e.g. higher-level jobs or jobs in the heart of the organisation. As a result men may receive variable pay more often than women. Secondly, criteria of evaluation are not always written down. In addition, written criteria may be risky. For example, in the Netherlands flexibility is quite often used as a criterion in evaluation. This is, however, a criterion that experts in the field of equal pay consider as a potential source of (indirect) discrimination between men and women. Finally, pay for

performance systems may easily result in more competition between employees and more overtime. Generally, women are more limited in this respect because of family responsibilities. Summarising, women may be excluded more often from variable pay systems. When included, there is a risk that women will receive less.

27. Data on the extent and level of variable pay are scarce. Moreover, data are difficult to compare because definitions often vary. According to EIRO (2001) an increasing number of firms complements basic pay with an amount of variable pay. Yet, throughout Europe, there seems to be considerable variation in the incidence, form and the share of employees affected (Cowling 2001). Based on the SES 2002, EC (2005) provides harmonised data on mean annual bonuses as a share of mean annual earnings. Bonuses are defined rather broadly as “elements related to holidays (such as extra pay corresponding to a 13th month), shift work, productivity, seniority or other factors” (EC 2005: 194). Spain, the Czech Republic, Portugal, Greece, Slovakia and Austria prove to have the highest shares (between 14 and 18%). The impact of bonuses is relatively limited in Poland, Sweden, Norway, Denmark, Hungary, Lithuania, Ireland, Estonia and Bulgaria (less than 5% of mean annual earnings). The data on bonuses are also available by gender. In all but two countries men have higher share of bonuses than women. In Belgium and Slovakia the share is slightly higher for women than for men. It is unclear what these differences implicate for the gender pay gap. See box 3 for national evidence on the extent and level of variable pay.

28. In two countries, the Netherlands and Finland, more detailed studies are available on gender differences in variable pay. In both countries women receive less often variable pay than men and these differences are related to occupational segregation; women are less often employed in occupations covered by variable pay systems. Moreover, the amounts paid to men are higher than the amounts paid to women. In the Netherlands, in case employees receive a bonus, the gender difference in the absolute level is on average 28%. However, when the bonus is related to the level of the wage, the gender differences disappear. With respect to profit sharing no gender differences were found. An interesting finding is that in firms with a works council, the gender differences in individual bonus are considerably smaller than in firms without a works council (mainly small firms) (PWC Consulting 2002). A Finnish study in 2002 showed that 29% of men receive performance-based bonuses and 14% of women. Moreover, the amounts paid to men were much larger than the ones paid to women: 13 per cent of male wage and salary earners received a bonus of more than €1,000 while the respective proportion among women was only 5 per cent. This difference is largely explained by the fact that more men work in the private sector where these bonuses are more common than in the public sector (Lehto and Sutela 2005).

Box 3 Extent and level of variable pay

EE	Variable salaries are more common in new workplaces than in older workplaces (Antila and Ylöstalo 2002).
EL	A survey carried out by the Institute of Labour of the Greek General Confederation of Labour among 2,016 Greek firms in 2002, revealed that 19% of the firms of the sample declared linking pay with performance, 5.5% with profits and 7% with both (Kouzis 2002). The sectors that mostly applied variable pay systems were education and health, hotels and catering, retail, financial intermediation, transports and communication, information technology and real

	estate management. Though exact data are lacking, individualized pay seems to expand, especially in the growing sectors of services where the unionisation rate is extremely low.
IE	A study on recent graduates showed that 42% of male recent graduate employees received bonuses compared to 32% of women, and that bonuses to men were valued at around 25% higher than those to women. While such bonuses were mainly in the private sector, better access to occupational pensions among male than female recent graduates was evident in the public sector. The study concludes that these differences add 1% to the gender pay gap (Russell, Smyth and O'Connell 2005).
LV	Variable salaries are more common in new workplaces than in older workplaces. For about one-fifth of the workers in the Baltic countries, the size of their salary depends entirely on result - e.g. sales quantity or the equivalent. In Latvia, however, the use of merely result-based pay has decreased a little within the last five years (Antila and Ylöstalo 2002).
NL	Between 2001 and 2003, the share of firms that uses some kind of variable pay system has increased from 40 to 49%. About one third of all companies use individual-based performance pay. There are considerable differences between sectors; performance pay is less common in sectors where the share of women is high. Collective pay for performance is less common than individual pay for performance: 27% of all firms use this form. This form is less used in sectors with a high share of women, suggesting again a possible source of gender wage differences (Bekker et al. 2005).
AT	The performance-related component of wages has sharply increased. This trend is also noticeable in the public-service enterprises, which are increasingly acting like private companies. The result is that wage incomes are sporadically falling and becoming more flexible (Hermann 2005: 11).
PT	One of the trends in collective agreements is the reduction of the ranks of the remuneration scales (from 15 to 5, for instance) and their opening so that individual performance can be taken into account (Cerdeira 2004).
FI	At the firm level, one of the most effective trends from the gender perspective has been the individualisation trend in pay systems. The forms can vary from performance-based pay systems to profit sharing. These extra bonuses can be individually based, group-based or paid at the organisation level. Performance-based wage arrangements were on the agenda already at the end of the 1980s, but held back because of the economic recession held back this development. Currently these forms of payment are increasing again.
SE	The proportion of employees with share of the profits has have increased for both women and men. This benefit is more common among men than among women (Nelander and Goding 2003).
UK	Individual or group performance-related pay or profit-related pay have become a fairly widespread feature of UK compensation schemes. Performance-related pay is found in 40% of workplaces, 44% of private sector workplaces and 19% of public sector workplaces. Profit-related pay was found in 37% of private sector workplaces and 21% operated an employee share scheme (Kersley et al. 2005). The 2002 Changing Employer Practices Survey for the ESRC Future of Work Programme found that 21% of workplaces had increased their use of group incentives and that only 3% had reduced their use of such practices (White et al. 2004).
IS	More widespread individualization of pay and the concealment of wages are widely accepted, especially at the firm level in the private sector. The official justification for the individual pay system is the need for performance-related wages to promote efficiency and productivity (see Einarsdóttir and Kristjánssdóttir 2002: 12). The spread of individual pay settings across the Icelandic labour market

	and its implications for the gender pay gap has so far not been studied.
NO	The use of pay for performance systems is increasing; in the private sector the increase between 1997 and 2001 was about 15 percentage points (Barth et al. 2005a). Traditional forms of pay systems (wages per hour) are most frequent in sectors with wage agreements and trade unions. New wage systems are more frequent in sectors without wage agreements. But performance for pay systems is increasing both within and outside collective agreements. Performance for pay is found more often in large, hierarchical organisations, in companies where employees have a high degree of job autonomy and in companies that are part of international corporations. Strong competition from product markets, including foreign markets, increases the prevalence of pay for performance. Companies with pay for performance systems pay on average 20 percent higher wages than companies that have other wage systems (Barth et al. 2005b). Performance pay is more prevalent among groups and industries that pay higher wages in any case.

Source: National reports

Summary and conclusions

29. The gender pay gap is determined by several factors. Traditionally, within the context of human capital theory, differences in pay are explained by differences in individual characteristics, like age, education and experience. Evidence suggests, however, that these differences only play a minor role in the persistence of the gender pay gap. The improved educational situation and the increased female participation rate have strongly diminished gender specific differences in individual characteristics, although in some countries gender differences in experience still play a role. Instead, the gender pay gap seems more related to the level of occupational segregation and the impact of the wage structure. Women tend to work in different occupations and industries than men and are penalized because of that. The extent of the penalty may differ, though, depending on the wage structure; a more compressed wage structure is likely to diminish the gender pay gap. The current trend towards a more decentralized and individualized system of wage setting should therefore be assessed as a rather worrying development. In fact women seem to be swimming upstream: women with an improved educational background, fewer children and shorter periods of employment interruption are confronted with a labour market with growing wage differentials and a reduced share of collectively agreed wages and wage components (Blau and Kahn 1997). As a result, the differences in wages remain more or less the same. This conclusion emphasizes the need for effective policy targeting both female labour market participation as well as institutional factors like wage formation systems, the remuneration of women and men, and the overall wage inequality.

4 Policy responses

30. In some European countries, the persistence of the gender pay gap has initiated a range of policy measures. In others countries, however, the gender pay gap ranks less high on the national policy agenda and few concrete programs or policy measures are pursued. Box 4 provides some information on the ‘national profile’ of the gender pay gap and presents examples of actual policy. In principle policy responses can be organised along three lines (Karamessini 2006):

- i. *Equal pay policy* aiming at tackling direct or indirect gender wage discrimination;
- ii. *Equal opportunities policy* aiming at encouraging women to have continuous employment patterns, and de-segregating employment by gender;
- iii. *Wage policies* aiming at reducing wage inequality and improving the remuneration of low paid and/or female-dominated jobs.

Box 4 Ranking of the gender pay gap on the national policy agenda and examples of actual policy

BE	The gender pay gap ranks rather high on the policy agenda. To date, policies focus on monitoring and awareness-raising. In addition, the EVA project (referring to an analytical EVALuation of jobs) has been launched. This is an important step towards a more gender-neutral system of job classification.
CZ	Little profile in public debate nor on the policy agenda.
DK	The gender pay gap ranks rather high on the policy agenda. Since 2001 a heated debate about the introduction of enterprise-based wage statistics, broken down by gender, has taken place. In the latest proposal, the bill is restricted to enterprises with a minimum of 35 employees, and groups with a minimum of 10 women and 10 men that hold the same job (technically defined by ISCO-codes). This would limit the coverage of the bill to less than 20% of employees.
DE	Little profile in public debate nor on the policy agenda.
EE	In the Action Plan of the Ministry of Social Affairs 2007-2010, the target is set to diminish gender pay gap from 24% to 20% in 2010. However, the ‘planned period of action’ did not appear yet.
EL	Little profile in public debate nor on the policy agenda.
ES	Current policies with regard to the gender pay gap are mainly awareness raising measures contained in the framework agreements by social partners. Despite the fact that Equality clauses were already widely introduced in collective bargaining since 2004, it is still an exception to include specific clauses to deal with pay differences. Despite the legal sanction against the gender pay gap, the translation into practice of the ‘Equal pay for work of equal value’ principle remains problematic.
FR	The gender pay gap ranks rather high on the policy agenda. In order to close the gender pay gap, a new draft law on equal pay (March 2006) is in the process of being drawn up. In this draft law there is the provision to make collective bargaining compulsory, in order to abolish pay gaps by December 2010. A diagnosis of existing gaps should be established. In the absence of "loyal and serious" collective bargaining, penalties are envisaged.
IE	The gender pay gap is seen as an important policy area in order to achieve greater gender equality. However, this awareness has yet to be translated into a programme

	of action or into a set of specific policy initiatives.
IT	Little profile in public debate nor on the policy agenda.
CY	Little profile in public debate nor on the policy agenda.
LV	Little profile in public debate nor on the policy agenda.
LT	Little policy responses, yet some developments within the context of comparable worth strategies.
LU	The gender pay gap ranks rather high on the policy agenda. Policy measures focus on gender mainstreaming of pay policies and a more systematic application of job evaluation systems
HU	Little profile in public debate nor on the policy agenda.
MT	Little profile in public debate nor on the policy agenda.
NL	Policy changed from information gathering and the development of instruments, towards the correct implementation and distribution of instruments on a stimulating compliance with the equal pay legislation. The more offensive strategy is especially visible in the installation of the 'Equal Pay working group' in January 2006, targeted towards awareness-raising.
AT	Few concrete programs or policies are pursued; in addition information concerning implementation and/or effectiveness is lacking.
PL	Low profile in public debate or on the policy agenda, yet there is a clear policy towards decreasing wage differentials, which may increase women's wage level.
PT	Little profile in public debate nor on the policy agenda.
SI	The gender pay gap is mentioned as an important problem with regard to equal opportunities, but few concrete programs or policies are pursued.
SK	Few concrete programs or policies are pursued, yet the policy discourse seems to change in favour of (more) gender mainstreaming. This is demonstrated by plans to establish a governmental commission for gender equality in Slovakia.
FI	Special measures, targeted towards granting higher rises for female-dominated and low-wage sectors.
SE	Rather high profile, given the Swedish Equal Opportunities Act which concerns among other things wage surveys and analysis, and states that the purpose is to discover, rectify and prevent unwarranted differentials in pay and other terms of employment between women and men. Main problem is the application of the law, as a result of which adjustments in pay levels have not been frequent.
UK	Government recognises that there is a problem with the gender pay gap, but is rather reluctant to go against its policy of deregulation and voluntary action by employers in the private sector.
IS	Clear commitment to pay equality among men and women. Yet, there is little insight in the effectiveness of policy measures.
LI	Little profile in public debate nor on the policy agenda.
NO	Equality in women's and men's wages is one of the longest standing issues on the gender equality agenda in Norway. The gender pay gap has been reduced over the past 30 years, but still significant, and the decreasing trend seems to have stagnated. As a result, the gender pay gap high on the policy agenda.
BU	Policies target towards lifting low income in general; there are few concrete programs directed towards diminishing the gender pay gap.
RO	Little profile in public debate nor on the policy agenda.

Source: National reports

Equal pay policies

31. Equal pay policy refers to the equal pay legislation and anti-discrimination laws. The legal framework of the EU with regard to equal pay is quite extensive. The legal

basis and implementation of the principle of equal pay for equal work or work of equal value is laid down in Article 141 of the Treaty establishing the European Community and in the Equal Pay Directive (Directive 75/117/EEC). National legislation and regulations must comply with these provisions. The jurisdiction of the European Court of Justice has resulted in a further clarification. Accordingly European legislation and European jurisdiction impose the following obligations on employers with regard to their remuneration policy (Ranftl 2006):

- The employer must apply the same evaluation criteria to all staff;
- Remuneration arrangements must be understandable and transparent;
- The criteria applied must take into account the nature and type of work;
- The criteria must be free from discriminatory elements.

32. The expected positive effect of equal pay legislation on the gender pay gap is reasonably straightforward, although the impact will presumably depend on the effectiveness of the enforcement of the legislation. Several countries (Estonia, Czech Republic, Greece, Germany, Poland and Slovenia) report problems in this respect. To take just one example: in Germany only individual claims are possible. Although a right for collective claims and group or class claims has been discussed for several years, groups of plaintiffs or organisations are not authorised to file suit. Secondly, rules of procedures for the application of the principle of pay equity are missing. A main problem seems to be the extent to which it is possible to compare jobs on the basis of common and objective criteria. Introducing more explicit rules of procedures would compel the social partners responsible for remuneration to take the principle of equal pay for work of equal value more seriously. Finally, and perhaps most importantly, there are no institutions commissioned to inform and educate actors on both the legal basis and the process of implementation and with the power to initiate legal action.

33. More effective equal pay policy may demand additional legislation. An example could be the Swedish Equal Opportunities Act (EOA), which states that employers, who employ ten persons or more, are required annually to survey and analyse pay practices and differentials and prepare a plan of action for equal pay. The Equal Opportunities Ombudsman (EOO) should ensure the proper functioning of the EOA and has the power to impose an administrative fine on employers who fail to submit the information requested. The EOO may also submit requests to the Equal Opportunities Board for the imposition of a penalty on employers who do not observe the rules on 'active measures'. Yet the Act only governs relations between individual employers and their employees; it is not an effective instrument for closing the pay gap between female- and male-dominated segments of the labour market.

34. Another interesting example of equal pay legislation is provided by France. With the law of 9 May 2001 France made it compulsory to negotiate equality in companies and sectors and to introduce the issue of equality in all normal bargaining topics, including pay. However, only few (around 50) companies respected this obligation. A new draft law on equal pay (March 2006) contains four main themes, of which the abolition of the gender pay gap is the most important. There is a provision to make collective bargaining compulsory in order to abolish pay gaps by December 2010. A diagnosis of existing gaps should be established. In the absence of "loyal and serious" collective bargaining, penalties are envisaged, like the non-registration of pay

agreements or the introduction of a financial contribution based on the total wages bill for companies, which have not embarked on collective bargaining.

35. The French case is a clear example of legislation which imposes on employers the obligation to justify pay differentials. Most countries are, however, rather reluctant to interfere in the wage setting mechanism which is seen as the primary responsibility of social partners. The emphasis on deregulation and voluntary action by employers severely limits the support of an effective comparable worth strategy. Although the principle of equal pay for men and women applies to work of equal value, most countries refrain from audits of internal pay formation in order to identify discriminatory elements, let alone to introduce gender-neutral pay evaluation structures that cross the boundaries set by companies and branches of industry. In the UK, for example, the long awaited Women and Work Commission report, which was published in February 2006, did not include any agreement on compulsory pay audits, although the Commission was asked specifically to address this issue in its terms of reference. In Luxembourg, despite the legal obligation to bargain on equality and to adopt equality plans (law of June 2004) social partners seem to have real difficulties in bargaining on equality areas.

36. However, Belgium might be considered to provide a more positive example. The EVA-project, set up by the Federal Public Service for Employment, Labour, and Social Dialogue in collaboration with the social partners and with the financial support of the European Social Fund has been in operation since 2001. "EVA" stands for analytical EVALuation and its goal is to bring the social partners and the industries a step closer to a gender-neutral system and to convince them of the usefulness of an analytical system with regard to equal pay for work of equal value. Initially three objectives were pursued: 1) the revision of the existing training programme and sensitisation of the social partners, 2) the analysis of the gender effect of the development and the introduction of analytical system of wage setting, 3) the design of a universal analytical gender-neutral job classification system. The first objective has been realised. However, in the meantime the project has been transferred to the Institute for Equality of Women and Men. It is very likely that the second objective will be put into practice; it is estimated that by June 2006 the analysis will be finished. However, the last objective will almost certainly not be realised. Nevertheless, the results of the project are rated as very positive. To quote Van der Hallen (2003): "As a training pack, it is highly transferable to other countries, because it explains the job evaluation process in a very clear, didactic way, with the help of numerous examples. Since gender-neutral evaluation is a matter of 'won't', rather than 'can't', an awareness-raising campaign similar to the one conducted in parallel with this training pack should prove to be an important and effective initiative" (quoted in Meulders and O'Dorchai 2006: 28).

Equal opportunities policy

37. Another important sub-set of policy refers to equal opportunities. Given that an uninterrupted career is still a significant factor in explaining the overall gender pay gap, it is extremely important to enable women to have more continuous employment patterns. Policies targeted towards increasing childcare facilities are therefore important. Although data are difficult to summarize, it is quite clear that the availability and affordability of childcare differs extensively over the EU member

states (see for an overview Plantenga and Remery 2005). In only a few countries is childcare seen as a social right and offered at highly subsidized prices. In other countries, public subsidies are limited and childcare services are only supplied through the private market at high prices. In a few cases the limited availability of affordable childcare places is acknowledged as a real barrier to the uptake of further education or work, especially for low-income families or families with more children requiring childcare; this no doubt affects the earning capacity of women negatively.

38. This point may be illustrated by the situation of Ireland. In 2000, Barrett et al. (2000) identified the provision of comprehensive childcare services as the key to equality of opportunity on the labour market. Russell and Gannon (2002) draw similar conclusions: “The current findings show that years of work experience and years out of the labour market remain an important influence on the gender pay gap in Ireland. This suggests that policies under the employment strategy to 'reconcile family and working life' are likely to be important in reducing the gender pay gap. Policies such as parental leave schemes, maternity leave, childcare provision, are likely to increase continuity in women's working lives and therefore reduce the gap due to time out of the labour market. Similarly, efforts to assist the reintegration of those who have been working full-time in the home are likely to have an impact on this element of the pay gap” (quoted in Barry and Murphy 2006: 26).

39. Parental leave is another important part of equal opportunities policy. The effects in terms of the gender pay gap are a bit more complicated though. On the one hand such policies may raise the relative earnings of women by keeping them connected to the labour market and/or particular firms. This may increase the incentives of employers and female workers to invest in firm-specific training. On the other hand, leave facilities might also lower the female participation rate and damage future career paths and earnings, especially when the leave is long. In addition, the actual costs of leave facilities may not be borne by the employers, but passed on to the employee, thereby increasing the gender pay gap if the take up is not evenly distributed among men and women (which is generally the case). In a study of mandated leave policies in Europe and North America, Ruhm and Teague (1995) concluded that leave entitlements of moderate duration (especially when paid) result in higher employment levels. Yet, Ruhm (1996) shows that extended paid parental leave results in substantial wage reductions among female employees.

40. These results indicate two important policy implications; the leave should not be too long and the take up of leave should be equally divided between men and women. Important preconditions of this equal division are that the leave is paid and that part of the leave is reserved for men. Developments in Denmark may illustrate this point. Since 2002 the maternity and parental leave has been expanded: the mother is entitled to 4 weeks leave before the birth of a child, and has a compulsory absence of 2 weeks leave after the birth, following this period she is entitled to 12 weeks leave. The father is entitled to 2 weeks paid paternity leave during the first 14 weeks after birth of a child - normally just after. Subsequently each parent is entitled to 32 weeks of parental leave (in total 64 weeks for the parents), which they can claim whenever they wish - and with the agreement of their employer- until the child is 9 years old. However, only 32 weeks of the total parental leave are paid (at least at the level of the unemployment benefit). The prolonged parental leave and the ending of the system of reserving weeks for the father (from 2002) have resulted in a prolongation of women's

parental leave. The latest figures show that mothers on average take 40 weeks of maternity and parental leave; fathers take on average 3 weeks. Research reveals that maternity and parental leave weakens mother's possibilities of a pay raise and that maternity/parental leave is an important explanatory factor of the gender pay gap. In order to restore the balance, the Danish opposition proposed early 2006 to earmark 12 weeks of the paid parental level for the father as an equality measure and an indirect equal pay policy. For women, this would imply that the length of leave would be limited to 18 weeks of maternity leave and 20 weeks of paid parental leave.

41. Another element of equal opportunities policy would be to encourage young girls to consider a wider range of occupational options, and to opt for science and technology, instead of caring, cleaning and catering. Still too often girls opt for traditional female occupations in the care and administrative sector, leading to lower paying careers. Box 5 provides some information of national policies in the field of de-segregation. Breaking down occupational rigidities is important and may be part of the answer to the problem of unequal pay. Yet several authors point to the fact that too much emphasis on de-segregation may signal the wrong message as the implicit meaning seems to be that it is all about women taking the wrong education and choosing the wrong career pattern. In addition, remedies for the gender pay gap that promote a change in occupational choices, leave unspecified who will take the important and growing jobs in the care and services sector. Too much emphasis on de-segregation also leaves unchanged the wage structure, leaving room for a new segregation based on ethnic lines. Female migrants, for example, might increasingly take up the low paid jobs in care and personal services, as is already evident in Southern European countries. Re-assessing the relative wage of female (or male) dominated jobs, might in that respect be a more appropriate strategy than tempting girls to give up female-dominated fields in the hope of better pay (Rubery and Smith 2006).

Box 5 National policies focusing on de-segregation

DK	Governmental policy strongly focuses on de-segregating the labour market. In early 2005 the Minister of Labour commissioned together with the Minister of Equality and the Minister of Education a study by the National Institute of Social Research on mechanisms of creating and recreating gender segregation in the choice of education and on the labour market.
LU	The project “Women, sciences and technologies” has been implemented in response to the low rate of female participation on the labour market and their orientation to female-dominated occupations and industries. The project aims at encouraging young girls to consider a wide range of occupational options and to channel them towards future oriented training courses especially in sciences and technology.
AT	Governmental policy in order to reduce the gender pay gap includes a ‘qualification offensive for women over the age of 25 with the emphasis on craft-technical occupations and new technologies’, and the ‘extension of the occupational spectrum for women’. Both policy lines are above all intended to contribute to breaking down gender segregation.
SI	A decrease in vertical and horizontal segregation and gender pay gap is stated as one of the four aims for equal opportunities of men and women in employment and work mentioned in the Resolution on the National Programme For Equal Opportunities.

Source: National reports

Wage policies

42. Finally, wage policies should be mentioned as an important policy lever to address the issue of equal pay. Wage policies in this respect may vary from the introduction of a mandatory minimum wage, thereby setting a floor to the wage structure, the centralization of the system of wage bargaining, thereby decreasing inter-industry and inter-firm wage differentials, and the revaluing of low paid and/or female-dominated jobs, for example as part of an anti-poverty or equality strategy. The prospect for a successful implementation of such a wage strategy does not seem to be very promising, however, given the current emphasis on decentralized or even individualized systems of wage setting. Yet some examples of beneficial wage policies are available. In Poland about 17% of the labour force receives wages below 50% of the average wage. The Act of July 1 2005 amending the minimum wage proposes solutions that should result in the long-term rise of the lowest wages to about 50% of the average wage. Although gender disaggregated data on the recipients of the minimum wage are not available, such a development can potentially improve earnings of women, especially those who are low qualified.

43. An interesting development in this respect is the plea to come to a European minimum wage policy. The primary aim of such a policy would be to increase the level of the lowest wages and to prevent cross-border wage dumping. Yet, given the fact that the proportion of low wage earners among women is approximately double to that among men, the introduction of a European minimum wage policy would also narrow the wage differential between men and women and improve the quality and productivity of work. In the 'Theses for a European minimum wage policy' the proposal is made to raise the minimum wage to a level of at least 60% of the average national wage. As a short-term interim target, all countries should introduce a minimum norm corresponding to 50% of the average national wage (Schulten et al. 2005). For the implementation, the authors suggest to rely on the open method of coordination, whereby certain concrete goals and time frames are determined at the European level and then implemented within the national framework of the different member states.

44. An even more targeted wage policy would be to increase the wage level of female-dominated jobs. Finland provides an interesting example in this respect. Since 1971 centralised wage agreements usually included provisions to grant higher rises for female-dominated and low-wage sectors. Their economic effect has been modest but they have been important symbolically in that the social partners have thus recognised the importance of promoting equal pay. At present, however, the Confederation of Unions for Academic Professionals in Finland (AKAVA) and the central employers' confederations would like to scrap these provisions. The former deems them ineffective in their present form because, it claims, they have not helped highly educated women enough. Meanwhile, the employers argue that labour costs in female-dominated and low-wage sectors have increased too much.

45. The Finnish example indicates some of the complexities involved in an overall revaluation of low paid, female-dominated jobs. Given these complexities, equal pay policies (with all its limitations) and reconciliation policies aimed at encouraging continuous patterns of employment among women seem more likely policy directions. Presumably, a greater sensitisation of social partners in equal pay issues is

needed to achieve higher than average wages increases in female-dominated occupations and industries. Yet a higher pay rise for female-dominated jobs might also be the result of shortages in supply, especially in crucial sectors like education and care. In Iceland, for example, after a period in which wage negotiations became more decentralized, wage developments in female-dominated institutions and firms has been less favourable than that of male-dominated ones giving rise to widespread unrest among municipality workers who are in most cases women working in schools, nurseries and institutions/homes for the elderly. During the autumn of 2005 many municipalities negotiated a special pay rise for those in unskilled jobs as a response to widespread labour shortage and discontent.

Trade union involvement

46. Finally, box 6 gives some information on trade union involvement in wage policies. In particular where national policy is rather weak and focused more on issues of occupational segregation and/or the impact of family responsibilities than on issues of under-valuation as such, social partners may take over and actively campaign for a more gender equal wage system. As usual, though, the picture is rather diverse. In some countries trade unions have indeed entered large framework agreements, targeted towards gender mainstreaming and the tackling of gender pay gap (Belgium, France); in other countries, trade unions play a role in the dissemination of information and training tools (Netherlands, Austria, Portugal, Iceland), while in still other countries, the commitment of trade unions to reduce gender wage differentials seems rather low (Greece, Italy, Cyprus, Liechtenstein, Bulgaria).

Box 6 Trade unions involvement in closing the gender pay gap.

BE	In September 2004, the three biggest Belgian unions (socialist, Christian and liberal) signed a <i>Gender Mainstreaming Chart</i> to signal their commitment to make special efforts to promote gender mainstreaming. Tackling the gender pay gap and developing a new job classification system are important elements of this commitment. Furthermore, the 2007/2008 inter-occupational agreement will be given a feminine dimension. Finally, they are also aware that they should pursue gender parity at the next social elections so that women can defend women which make up half of their affiliates. Although to date none of these declared intentions have been put into practice they do translate a genuine commitment of the unions to the cause of eliminating wage inequality.
CZ	At the central level there is very little information on how to assess and monitor the gender pay gap. As a result individual trade unions have no real guidelines on how to address the issue of equal pay in the collective bargaining process.
DE	Trade unions has not been very active on the issue of equal pay. Collective agreements do not usually contain any specific clause on equal pay either, although some trade unions have developed their own codes of practice for the application of the principle of equal pay for men and women.
EL	The trade unions' involvement has been positive but limited to the issue of equal pay for equal work; little attention is paid on equal pay for work of equal value and on the tackling of the gender pay gap. Collective bargaining therefore does not operate as a means of promoting equal pay.
ES	Current policies are mainly targeted towards improving the transparency of the collective bargaining process, relating to current practices of selection and promotion, and to the revision and elimination of female categories within occupational classification.
FR	A national inter-sector agreement on gender balance and occupational gender

	equality was signed on 1 March 2004 by all major unions. It includes a section on equal pay. Companies committed themselves to reducing the residual gap (estimated at 5% by INSEE), which cannot be explained by sectoral or structural effects. Specific action, in order to catch up gradually within time limits, can be embarked upon. At sector level, criteria used for job evaluation will be examined in order to rectify any discriminatory effects and take better account of all skills. Solutions will be sought to limit the effects on pay of absences related to parenthood.
IE	Trade unions' involvement has been positive but rather limited. A key element of the Irish congress of Trade Unions (ICTU) is to achieve legislative change to allow 'class actions' to be taken under equality legislation. In addition, ICTU is looking for a higher level of minimum wage and more resources towards the provisions of childcare services.
IT	Italian trade unions have never shown a strong commitment to reducing gender differentials. The issue of women's low pay has traditionally been seen as part of the general problem of economic inequity, so that effort was concentrated on (i) squeezing pay differentials (by industry, by category of employment, by skill grade), up until the middle 1980s; (ii) promoting equal opportunities, in the 1990s.
CY	While the unions' involvement and lobbying for the minimum wage legislation (and standard) is important, nothing has been done in the area of minimizing the pay gap or the observed occupational segregation
LT	Trade unions play an active part with respect to minimum wage policy. They also played an active role in the process of initiation, preparation and signing of bilateral national agreement on the application of the 'Methodology for the Assessment of Jobs and Positions in enterprises and organisations'. However, this agreement has yet to be translated into a programme of action and/or into a set of specific policy initiative.
LU	Within the context of the pilot project 'equal pay, democratic challenge', government and the social partners have committed themselves to review persistent inequalities between women and men regarding pay.
HU	Under the direction of the National Confederation of Hungarian Trade Unions, a new pilot project has been set up. It consists of two main parts: interactive database for gender pay gaps, and a monitoring mechanism.
NL	Policy initiatives primarily focus on providing information, for example by offering tools on the website to check whether one is being paid according to the rules. In addition, in cooperation with the Wage Indicator project and unions from Belgium and Hungary, Dutch trade unions participate in a project called 'Decrease the pay gap'. This project, funded by ESF-funds, intends to increase the effectiveness of policies targeted towards diminishing wage differences. Moreover, it intends to empower individual women by informing them on career choices and by training their bargaining skills.
AT	Since the end of the 1990s trade unions have developed and implemented gender mainstreaming plans or adopted gender-mainstreamed collective bargaining guidelines. Guidelines refer to both the content of the actual agreements as well as the actual negotiation process.
PL	Union density is low and decreasing, thus a top priority is the growth of members. The company is the dominant level of bargaining, institutionalisation of industrial relations is low, and when collective bargaining occurs, equal opportunities do not come to the fore. Unions conduct some awareness raising activities for workers and employers, but these do not feature prominently in the overall context.
PT	Some initiatives by trade unions f.e the Aveiro footwear trade union, targeted towards awareness raising and changing actual pay practices. At a more general level, trade unions provide information and training courses on gender equality for trade union leaders and other union members.

SI	Some trade-unions' initiatives focusing on awareness-raising and providing detailed information on wages and career development.
SK	Social partners pay little attention to equal pay. Yet at the central level, some initiatives are undertaken to promote equal opportunities in the labour process.
FI	Policy measures focus on more analytical job evaluation schemes and bringing male- and female-dominated sectors within the same collective agreements.
SE	Trade unions are important. Although the system of wage setting is largely decentralised, some coordinated action is taken on issues like decreasing the gender pay gap between female- and male-dominated occupations and sectors.
UK	Trade unions are important in bringing both employers and the government to the bargaining table over issues like single pay spines and the protection of workers outsourced from the public sector (mainly women)
IS	Trade unions actions focus on awareness raising initiatives and organising training course for women in order to improve their negotiating skills.
LI	Few policies focusing on diminishing the gender pay gap.
NO	Trade unions try to close the gender pay gap by lifting the wage level of the lowest paid group.
BU	Trade unions actions focus on linking wages with productivity and introducing a decentralized model of collective labour bargaining. Few policies focus on diminishing the gender pay gap.

Source: National reports

Summary and conclusions

47. The European member states indicate a rather diverse picture when it comes to tackling the gender pay gap. In quite a number of countries the gender pay gap has little profile neither in the public debate nor on the policy agenda. In other countries, though, the persistence of the gender pay gap has initiated several policy initiatives targeted towards closing the gender pay gap. Some policies refer to improving the effectiveness of equal pay legislation. Other policies try to enhance equal opportunities and aim at more continuous employment patterns; available and affordable childcare as well as paid parental leave for both men and women are seen as important preconditions in this respect. Girls might also be encouraged to choose less traditional occupations in order to enter higher paying careers. A third lever refers to wage policies aimed at reducing wage inequality and improving the remuneration of low (or female-dominated) jobs. Actual policy initiatives in this respect vary from a general policy towards increasing the level of the minimum wage in Poland, to a re-evaluation of low paid, female-dominated jobs in Finland. The actual policy mix may depend on national particularities and the prevailing analysis of the origins the gender pay gap. The emphasis on deregulation and voluntary action by employers may restrict national policy options in some countries, especially with regard to wages. In these circumstances social partners (especially trade unions) may take over and actively campaign for a more gender equal wage structure.

5 Best practices

48. Taking into account the different socio-economic backgrounds, the national reports present a broad range of innovative policy initiatives that may be gathered under the heading ‘best practices’. There appear to be four major policy lines:

- Policies directed at the availability and dissemination of information among relevant actors such as employees and employers;
- Policies to develop or strengthen the infrastructure with respect to equal pay;
- Policies directed towards a more integrated system of wage-setting;
- Policies to develop legal measures enforcing equal pay.

Availability and dissemination of information

49. The availability of relevant information is an important starting point when tackling the gender pay gap. Moreover, dissemination of information is an important tool to raise awareness of the extent and seriousness of the problem. Quite a number of national reports, therefore, address this issue. Box 7 summarises the initiatives, which vary from initiating a study to the organisation of a national ‘Equal Pay Day’. The box also includes three examples of legislative measures with respect to gathering data at the company level, which may be essential for the detailed research into the very nature of pay differences. As most companies are rather reluctant to provide this information Italy and Portugal have taken legislative measures that oblige employers to do so; in Denmark the Act on Enterprise-based Wage Statistics has been postponed. In addition, social partners are important allies when tackling the gender pay gap. As the national reports show, social partners seem increasingly willing to take action to reduce the gender pay gap, especially with respect to providing information and awareness raising.

Box 7 Initiatives with respect to availability and dissemination of information

BE	An ‘Equal Pay Day’ is established. The aim is to raise the awareness of a very large public with respect to the persistence of gender wage inequality, to discuss wages more openly and to encourage policy corrections.
CZ	The Committee for Equal Opportunities for Women and Men of the Czech-Moravian Confederation of Trade Unions (ČMKOS) promotes in its programme “ <i>adherence to the principle according to which men and women merit equal pay for equal work or work of equal value.</i> ”
DK	After fierce discussions on the results of studies of the gender pay gap, in 2000 the minister for Equality forwarded a bill proposing enterprise wage statistics broken down by gender and a ban on the use of wage-confidentiality. In 2001 the Act on Enterprise-based Wage Statistics broken down by gender was adopted. After a change in government in late 2001, however, the Act has been temporarily postponed. At the moment discussion is going on the conditions under which the law should apply (e.g. such as the size of firms).
EL	A guide for the integration of gender equality in firms has been published. The guide contains a list of proposals addressed to public administration and social partners aiming at the integration of gender equality in the firms. Equal pay for work of equal value is one of the five main categories of the proposal.

	An awareness-raising campaign was part of the EU-funded project ' <i>Equal pay-mind the gap</i> '. This project was the first initiative ever taken in Greece extending the equal pay principle beyond the issue of direct wage discrimination against women and drawing attention to the overall gender pay gap as a social problem stemming from different forms of discrimination
IE	The Irish Congress of Trade Unions initiated a small-scale Gender and Pay Project. Under this project the trade union congress is being funded to carry out activities addressing the gender pay gap under a number of themes, including awareness of the gender pay gap, job evaluation skills and resources, training of trade union officials and vocational training. This involved the development of a toolkit by the Irish Congress of Trade Unions to support managers, officials and activists to address the gender pay gap.
IT	In Italy public and private firms employing more than 100 employees have the obligation to provide statistical information on the employment conditions of their employees broken down by gender every two years (1991 law on positive actions; art. 9, Act 125/1991). The companies have to give the report to the local Equality Advisers and to the trade unions at the company level. These reports could be used by Equality Advisers and/or trade unions to tackle horizontal and vertical segregation, as well as the gender pay gap at the company level.
HU	Stimulated by the Dutch project 'Wage indicator' an interactive database, called the 'E-Barometer' will be compiled. Age, gender, educational level, occupation, and regions will be the main dimensions of the dataset.
NL	The 'Wage indicator' has been developed. One of the goals of this project is to improve the information about 'real' wages, beyond the information about the 'formal' wages agreed in a specific collective bargaining agreement. In addition, the data set would expand the scope for research and create a better insight in the dynamics of the gender pay gap.
AT	The Union of Private Employees (Gewerkschaft der Privatangestellten – GPA) has committed itself to examining all collective agreements within their respective domain in terms of (implicit) gender-related discriminatory provisions and eventually to eliminate them in the course of the next years' bargaining. In addition, in the early 2000's a working group was set up within the Metalworking and Textiles Union (Gewerkschaft Metall-Textil, GMT), which jointly examined the possibilities of gender mainstreaming in collective bargaining in cooperation with the Equal Opportunities Ombudswoman (Anwaltschaft für Gleichbehandlungsfrag).
MT	In Malta, where relatively little information is available, a study has been initiated on the gender pay gap. This is regarded as an important step towards assessing the actual gender pay gap and a useful tool for raising awareness.
PL	Action has been taken to raise awareness of labour laws and workers rights. In addition, lawyers, judges, police officers, prosecutors, trade union representatives, employer organisations, labour inspectors, NGO representatives and government officials have been educated and trained.
PT	The Commission for Equality in Labour and Employment has promoted several gender-equality training courses for judges and other agents involved in the process of justice administration, with the purpose of promoting a better application of gender equality legislation. Since 2004 all employers, with the exception of Central, Regional and Local Administrations, Public Institutes and other collective public entities, as well as employers of domestic service workers, are obliged during the month of November to display in a visible place (or for online consultation) for a period of at least 30 days, the list of their staff indicating each employee's earnings (Law no. 35/2004, of 29 July, Articles 452 to 457 and 490). This information must be made available to the public authorities, as well as, on demand, to trade unions and employers

	associations. Non-compliance is considered a minor offence, and depending on the degree of guilt and the firm's outcomes, the fine may vary between 2 and 15 UC (each UC corresponds to € 89).
SI	The presidency of the biggest trade-union confederation called member trade unions to introduce the gender pay gap problem on the collective bargaining agenda.
SK	The Slovak Republic Confederation of Trade Unions prepared and implemented " <i>Equal Opportunities Policies for Men and Women in Trade Unions Years 2002 – 2004</i> ". The main aim of the project is to promote the agenda for equality and opportunity in labour process. One part of the project is devoted to strengthen the principle of equal pay of men and women at all level of collective bargaining.
SE	The Swedish Trade Union Confederation (LO) is strongly committed to gender equality and gender mainstreaming and publishes on this theme on a regular basis. On International Women's Day 2006, a report was published which contains a.o. a concrete handbook in trade union feminism and which supports active gender equality work in the work places.
LI	The government initiated a special award on women- and family-friendly enterprises in 1999 in order to raise employers' as well as the public's awareness of gender equality issues.

Source: National reports

Infrastructure

50. The establishment of gender specific institutions is another important step to support the implementation of equal pay legislation. New initiatives in this respect are reported by Cyprus, Lithuania and Slovakia; see box 8 for more details. Other countries (the Netherlands, Finland and Norway) report the installation of equal pay task forces. In the Netherlands an equal pay working group is installed to mobilise all relevant actors in the field of equal pay in order to implement all policy tools actively. In Finland a working group has drawn up a programme for equal pay, which proposed to set clear targets. In Norway the government announced in March 2006 that the first Norwegian commission on equal pay is to be appointed. One of the most important tasks for the commission is to place the issue firmly on the political agenda, and to vitalise the debate on equal pay (see box 9).

Box 8 Examples of creating an infrastructure to promote wage equality

CY	The Authority Against Discrimination, formed due to an EU directive, is responsible for handling all cases of gender discrimination, including sexual harassment and pay discrimination, both in the public and in the private sector. What is innovative and important for this office is that the burden of proof is on the employer and not on the employee and statistical evidence of discrimination is considered adequate proof (i.e. if women are generally paid less in company X this counts as sufficient evidence of discrimination against a specific woman).
LT	Since 1999, the Equal Opportunities Ombudsperson's institution supervises the implementation of equal rights and opportunities for men and women, laid down in the Constitution of the Republic of Lithuania and investigates complaints relating to direct or indirect discrimination on grounds of sex. Since the establishment of the institution (1999 - 2004), the Ombudsperson's institution had received 325 complaints, the cases of discrimination at work (in respect of placement, professional career and remuneration) constituted about 28 percent of all investigations.
SK	At the end of 2005 the project " <i>Promotion of administrative capacities in gender mainstreaming</i> " started. Experts from France and Germany will help to built institutional mechanism for implementation gender mainstreaming in governmental so as in non-governmental spheres. In the scope of the project a new gender web-page

	(www.gender.gov.sk) was launched.
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Source: National reports

Box 9 Examples of Equal Pay Task Forces

NL	Commissioned by the Minister of Social Affairs and Employment, the 'Equal Pay working group' has been installed in the beginning of 2006. By actively addressing all relevant actors, including employers' organizations, employees' organizations, but also individual employers and employees and other parties involved about the legal rules of equal payments, the Equal Pay working groups implies is a more offensive strategy to combat unequal payment.
FI	The Ministry of Social Affairs and Health established a working group on the 15 th November 2004 to draw up a programme for equal pay. The work was finished at the 15 th May 2005. The main promise of this programme was that the pay gap between men and women, counted by the average monthly pay for normal working hours, would reduce with five percentage points from the current 20 per cent, until the year 2015.
NO	In March 2006 the government announced the appointment of the first Norwegian commission on equal pay. One of the most important tasks for the commission is to place the issue firmly on the political agenda, and to vitalise the debate on equal pay. The commission shall launch concrete proposals for future strategies, not only in connections with the wage settlement processes. The commission should be seen as an important political signal, dealing with issues with implications for a living wage, distributive politics and future pensions. The main reason given for the commission is that gender differences still are large and changes rather slowly.

Source: National reports

Integrated system of wage setting

51. According to EU legislation, men and women should be paid equally for equal work or for work of equal value. In order to determine the value of a job, job evaluation systems are often used, which, however, may be (in)directly discriminating for women. It is therefore important that a critical assessment of system-specific characteristics and criteria is made. As box 10 shows, in several countries policy initiatives are taken aimed at the development and appliance of gender-neutral systems of job evaluation (comparable worth strategy). In addition, the national reports of the France, UK and Norway provide good practices with respect to wage setting at the sectoral or company level (see box 11). For example, a Norwegian firm tries to neutralise the impact of parental leave.

Box 10 Policy initiatives with respect to job evaluation

BE	The EVA project is launched. "EVA" stands for analytical EVAluation and its goal is to bring the social partners and the industries a step closer to a gender-neutral system. Within this project three objectives are pursued. Firstly, revision of the existing training programme, organisation of new training courses and sensitisation of the social partners. Secondly, the analysis of the gender effect of the development and the introduction of analytical methods on wages. Thirdly, the design of a universal analytical gender-neutral job classification method to analyse all job types.
DK	Efforts are taken to elaborate job evaluation tools between the social partners in the municipal and county sector. In addition, a brochure on the use of job evaluation is published as a tool to promote equal pay in the municipal sector.
LU	The government and the social partners have committed themselves to analyse the system of job classification (discrimination, correction criterion and gender-neutral systems). The Ministry for Equal Opportunities with the Chamber of commerce and

	private employees provides a supply of training courses on gender-neutral evaluations of job classifications for firm managers.
AT	A research project on “non-discriminatory work evaluation and work organisation” was completed in 2002. Building on the experience and results of this research project, in 2004 a guideline for the application of non-discriminatory analytical work evaluation was drawn up. In addition, a first nationwide collective agreement signed for social and health services (where the vast majority of employees are women) in November 2003 covering about 35,000 employees in the private sector. This agreement lays down a clear-cut, uniform pay scheme providing for nine different pay levels according to skills and vocational experience, which replaces more than 200 different pay schemes provided for in individual company regulations.

Source: National reports

Box 11 Examples of innovative wage-setting at sectoral or company level

FR	The electricity and gas boards EDF-GDF made an occupational equality agreement in 2004 with a specific budget for women’s pay to catch up. The agreement had two ambitions: reducing observed gender gaps and introducing new practices and change mentalities in order to achieve lasting cultural changes in favour of occupational equality. A specific target was to reduce an estimated pay gap of 5% over a three-year period. Both local management and unions were involved in achieving the agreement. The additional budget to reduce the gender pay gap represented 0.1% of the total wages bill. The advantage of such an additional budget was that men did not get the feeling that they were being wronged in order to benefit women.
UK	In 1999 an important agreement was made in the National Health Service: the ‘Agenda for Change: Modernising the NHS Pay System’. One of the main parts of this agreement was the introduction of a new integrated pay structure for the NHS. Two important goals of this Agenda were to improve the relative position of the very lowest paid workers in the NHS and to ensure as many staff as possible moved to a band that would provide higher maximum pay than previously. First indications are that several groups have indeed improved their rate of pay, e.g. cleaners and health care assistants.
NO	GE Healthcare (1250 employees in Norway) specialises in the research and production of medical products. In order to change the negative effect of parental leave on wage progression, employees who have been on parental leave are given a wage rise equivalent to an average wage settlement. In addition the employee’s direct superior has a responsibility to be aware of the situation in the next individual assessment. The ambition is that parental leave should not affect the employee’s wage level, neither in a negative, nor in a positive direction. The establishment’s personnel manager argues that equal pay stimulates productivity; inequalities in wages create dissatisfaction.

Source: National reports

Legislation

52. As described in section 34 the principle of equal pay for equal work or work of equal value is part of EU legislation and all countries have included this principle in their national legislation. Countries may take additional legal measures to improve the effectiveness of the equal pay legislation. Best practices in this respect are provided by Luxembourg, France and the UK.

Box 12 Legal measures to tackle the gender pay gap

LU	Since June 2004 a law is in force that obligates social partners to bargain on equal pay. Under this law collective bargaining has to include a provision concerning the
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	implementation of the principle of equal pay between men and women. The results of the collective negotiations have to be written down.
FR	The laws of May 2001 and March 2006 reinforce the obligation of gender pay bargaining in companies and sectors. For the first time the introduction of penalties (financial contribution based on the total wage bill) is mentioned (which may come into effect in December 2010 in case of lack of bargaining).
UK	Gender duty on public authorities. The Equality Act of 2006 amends the Sex Discrimination Act 1975 to place a statutory duty on all public authorities, when carrying out their functions, to have due regard to the need: (1) to eliminate unlawful discrimination and harassment and (2) to promote equality of opportunity between men and women. This is known as 'the general duty' and will come into effect on 6 April 2007. The general duty is enforced by judicial review. In addition, from 2007, the Commission for Equality and Human Rights (CEHR) will have the power to issue compliance notices in connection with a breach of the general duty and these are enforceable in the courts.

Source: National reports

Summary and conclusions

53. Best practices are supposed to inform other countries and to serve as an important source of inspiration. In essence, looking at and analysing the policy initiatives of others could improve national policies. In this respect, it is rather remarkable that most best practices refer to the availability and dissemination of information. That is: these best practices refer to actions undertaken to disseminate knowledge and raising awareness of the extent and seriousness of the problem. This is an important first step, yet still a long way from presenting actual solutions. Only a few countries provide examples of more offensive strategies like legal measures enforcing equal pay or policies directed towards strengthening the infrastructure. In this respect it seems important to increase the profile of the gender pay gap at the national level, for example, by setting concrete targets to be achieved within a suitable timeframe within the context of the European Employment Strategy.

6 Conclusions

54. Despite long standing legislation on equal pay, women in Europe earn less than men. The latest figures on the basis of SES data (which cover only the private sector) indicate that in 2002 women earn on average 25% less than men. The largest gap is found in the UK (30%), the smallest in Slovenia (11%). Analysing the development of the gender pay gap over time is a complicated affair, primarily because of data problems. Yet the gender pay gap at the level of the EU25 seems to be fairly stable over the last decade. Over a longer period of time, though, most countries seem to indicate a decrease in the extent of the gender pay gap.

55. Traditionally, within the context of human capital theory, the gender pay gap is explained by differences in individual characteristics, such as age, education and experience. Evidence suggests, however, that these differences play a relative minor part in the persistence of the gender pay gap. The improved educational situation and the increased female participation rate have diminished gender specific differences in individual characteristics, although in some countries gender differences in experience are still important. Instead, the gender pay gap seems more related to the level of occupational segregation and the impact of the wage structure. Women tend to work in different occupations and industries than men and are penalized because of that. The extent of the penalty may differ, though, depending on the wage structure; a more compressed wage structure is likely to diminish the gender pay gap. The current trend towards a more decentralized and individualized system of wage setting should therefore be assessed as a rather worrying development. In fact women seem to be swimming upstream: women with an improved educational background, fewer children and shorter periods of employment interruption are confronted with a labour market with growing wage differentials and a reduced share of collectively agreed wages and wage components.

56. The persistence of the gender pay gap emphasizes the need for multi-faceted policies targeted both on increasing the female labour market participation rate as well as on institutional factors such as wage formation systems and the overall level of wage inequality. In fact, the EU countries display a broad spectrum of policy initiatives targeted on closing the gender pay gap. In principle these policy responses may be organized along three lines: 1) equal pay policies aimed at tackling direct or indirect gender wage discrimination 2) equal opportunities policy aimed at encouraging women to have continuous employment patterns, and at desegregation of employment by gender and 3) wage policies aimed at reducing wage inequality and improving the remuneration of low paid and/or female-dominated jobs. The legal framework of the EU with regard to equal pay is quite extensive. The impact, however, depends on the effectiveness of the enforcement, which may be problematic. Moreover, rules of procedures for application may be missing. This seems especially the case with respect to the principle of equal pay for jobs of equal value (i.e. how to compare jobs in an objective manner). Childcare, as part of equal opportunities policy, is an important arrangement to enable women to have more continuous employment patterns. Yet the availability and affordability varies extensively across Europe. Leave arrangements are another important part of equal opportunities policy. Available evidence, however, suggests that the leave should not be too long, as this might lower the female participation rate and damage future career paths and

earnings. In addition, there is a risk that the costs are passed on to the employee, which might result in an increase of the gender pay gap. In order to avoid this, the leave should be equally divided between men and women. This implies that the leave should be paid, whereas reserving weeks for the father might also be extremely helpful. The third policy line refers to pay policies such as the introduction of a mandatory minimum wage and the revaluing of low paid, female-dominated sectors. Given the current emphasis on decentralized or even individualized systems of wage setting, the prospect for such a strategy does not, however, seem to be very promising.

57. The ultimate policy mix may depend on national particularities and the prevailing analysis of the origins the gender pay gap. The emphasis on deregulation and voluntary action by employers may in some countries restrict national policy options, especially with regard to wages. Employers on the other hand – fearing increases in the wage-bill - might be reluctant to commit themselves to reduce the gender pay gap. In these circumstances social partners (especially trade unions) may take over and actively campaign for a more gender equal wage structure. Yet the national reports indicate that in several European countries the gender pay gap has a low profile both in the public debate and in the policy agenda. Summarising, one of the main problems is that there is no real owner of the problem, as nobody really feels responsible for closing the gender pay gap. Organising political support for closing the gap seems to be an important challenge for the near future.

58. The best practices again indicate a wide variation of policy responses. There is quite a heavy emphasis on policies directed at the availability and dissemination of information among relevant actors such as employees and employers. Most ‘visible’ initiatives refer to the establishment of an Equal Pay Day; equally important are policies targeted towards education and training of employers’ organisations, trade unions, lawyers and judges. Best practices also refer to the development or strengthening of the infrastructure with respect to equal pay. Examples in this respect refer to the establishment of an equal opportunities ombudsperson in Lithuania and to the installation of equal pay task forces in the Netherlands, Finland and Norway. A third cluster of best practices aims at the provision of a more integrated system of wage setting. Examples refer to the development and application of gender- neutral systems of job evaluation (in Belgium, Denmark, Luxembourg and Austria) and to good practices with respect to wage setting at the sectoral level (in France and the UK). Finally some best practices are mentioned at the legal level, aimed at obliging social partners (or employers) to bargain on equal pay (Luxembourg, France and UK).

59. The persistence of the gender pay gap, its low profile in a considerable number of European countries and the rather cautious attitude that is implied in the best practices, emphasise the need for an effective policy framework at the level of the European Union. Setting targets might be helpful in this respect. As part of the European Employment Strategy in 2003 the member states were called on to formulate targets to achieve a substantial reduction of the gender pay gap in 2010. In 2005, however, the EES has been revised with more emphasis on integrating employment policies with macroeconomic and microeconomic policies in order to maximise the synergies and to increase their efficiency. In the new set-up the reduction of the gender pay gap is no longer formulated as a special target but included in two general guidelines. Moreover an explicit timeframe is not stated. As a result the attention for the gender pay gap seems to be lost in other employment

issues. In order to increase the profile of the gender pay gap at the national level it seems essential to formulate concrete objectives and timetables on the closing of the gender pay gap at the European level. Depending on the national situation these objectives should be implemented in the individual countries along the lines of the open method of coordination.

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Appendices

Table A1 Male and female hourly wage rate (in €), gender pay gap and wage inequality in 30 European countries

	Males	Females	Gender pay gap	Wage inequality
EU25	13.79	10.4	25	
EU15 countries	15.46	11.87	23	
NMS10	3.08	2.46	20	
Belgium	14.54	12.05	17	2.62
Czech Republic	3.12	2.35	25	2.8
Denmark	21.42	17.13	20	2.14
Germany	16.91	12.58	26	3.15
Estonia	2.43	1.78	27	4.94
Greece	7.97	5.94	25	2.63
Spain	9.09	6.82	25	3.15
France	15.26	12.66	17	3.36
Ireland	18.29	13.47	26	3.91
Italy	11.06	8.97	19	2.46
Cyprus	10.8	7.76	28	3.11
Latvia	1.69	1.34	21	4.76
Lithuania	1.91	1.58	17	4.55
Luxembourg	16.94	13.73	19	3.4
Hungary	2.67	2.28	15	3.4
Malta				
Netherlands	15.5	11.84	24	2.75
Austria	13.26	9.76	26	3.03
Poland	3.35	2.88	14	4.67
Portugal	5.71	4.59	20	
Slovenia	5.34	4.75	11	4.5
Slovakia	2.4	1.7	29	3.21
Finland	14.8	12.13	18	1.96
Sweden	15.82	13.4	15	2.03
United Kingdom	20.01	13.95	30	3.16
Iceland				2.27
Liechtenstein				
Norway	23.44	18.8	20	1.98
Bulgaria	0.88	0.7	20	4.4
Romania	1.13	0.9	20	5.09

Source: SES 2002; EC 2005 (wage inequality)

Note: the gender pay gap is calculated as: (average male hourly wage-average female hourly wage)/average male hourly wage.

Statistical appendix: analysing the gender pay gap

The dummy approach

The simplest way to analyze the gender pay gap is to perform a regression analysis, with gender included as a dummy variable, in order to capture the effect of discrimination:

$$(1) W_i = \beta X_i + \gamma \text{sex}_i + \varepsilon_i,$$

where W_i represents the log wage and X_i the control characteristics (e.g. education, job experience, and job characteristics) of an individual i , β and γ are parameters.

The Oaxaca – Blinder decomposition

A more sophisticated procedure to investigate the gender pay gap is developed by Blinder (1973) and Oaxaca (1973). In this procedure, wages are estimated separately for individuals i of the different groups g , males and females. As a result, this procedure allows that productive characteristics of men and women are rewarded differently:

$$(2) W_{gi} = \beta_g X_{gi} + \varepsilon_{gi},$$

where $g = (m, f)$, represents the two sexes; W_{gi} is the log wage, and X_{gi} the control characteristics of an individual i of group g .

The total wage differential between men and women can then be decomposed into an explained part due to differences in characteristics and an unexplained residual.

The difference in mean wages can be written as:

$$(3) \bar{W}_m - \bar{W}_f = (\bar{X}_m - \bar{X}_f) \hat{\beta}_m + (\hat{\beta}_m - \hat{\beta}_f) \bar{X}_f \equiv E + U,$$

where \bar{W}_g denote the mean log wages, \bar{X}_g represents the control characteristics of group g and $\hat{\beta}_g$ the estimated parameter from equation (2). While the first term stands for the effect of different productive characteristics (the endowment effect E), the second term represents the unexplained residual U (often referred to as ‘wage discrimination’) which includes a difference due to unobserved variables that influence productivity and a difference due to a differential reward for equal characteristics.

In (3) the difference in male and female characteristics are evaluated using the male wage structure. In principle, it is possible to use the female wage structure as the reference. This will in general lead to different outcomes.

The Juhn-Murphy-Pierce decomposition

Juhn et al. (1991) offer an alternative to the Oaxaca-Blinder decomposition. The innovative aspect of this approach is that it allows for differences in the overall wage distribution to affect the gender pay gap. As such the Juhn-Murphy-Pierce approach has the advantage of enabling identification of four sources of contributing factors to the overall differences in gender pay gaps: cross-country differences in gender differences in productivity characteristics, cross-country differences in the prices of observed productivity characteristics; cross-country differences in the relative wage position of men and women and cross-country differences in the prices of unobservable productivity characteristics. More formally (following Blau & Kahn 1996 and Rubery et al 2002) a wage equation for a male worker i and country j can be expressed as follows:

$$(4) \quad Y_{ij} = X_{ij}B_j + \sigma_j\theta_{ij},$$

where Y_{ij} is the log of wages; X_{ij} is a vector of explanatory variables; B_j is a country-specific vector of coefficients; θ_{ij} is a standardised residual (i.e. with mean 0 and variance 1 for each country); and σ_j is the country's residual standard deviation of wages (i.e. its level of residual wage inequality for males). Then, the male-female log wage gap for country j is:

$$(5) \quad D_j \equiv Y_{mj} - Y_{fj} = \Delta X_j B_j + \sigma_j \Delta \theta_j,$$

where the m and f subscripts refer to male and female respectively; and a Δ prefix signifies the average male-female difference for the variable immediately following. Equation (5) states that a pay gap in a particular country can be decomposed into differences in measured qualifications ΔX_j and differences in the standardized residual $\Delta \theta_j$ (multiplied by the money value per unit difference in the standardized residual σ_j). The final term of (5) corresponds to the 'unexplained residual' in a standard decomposition of the pay gap when the contribution of the means is evaluated using the male function, i.e. the term U in equation (3).

The gender pay gap difference between two countries j and k can then be decomposed, using (2):

$$(6) \quad D_j - D_k = (\Delta X_j - \Delta X_k)B_k + \Delta X_j (B_j - B_k) + (\Delta \theta_j - \Delta \theta_k)\sigma_k + \Delta \theta_j (\sigma_j - \sigma_k).$$

The first term in (6) reflects the contribution of inter-country differences in observed differences in characteristic (X) to the cross-country differences in the gender pay gap. The second term reflects the impact of inter-country differences in returns to observed characteristics. The third term measures the effect of international differences in the relative wage positions of men and women after controlling for measured characteristics, and finally the fourth term reflects the inter-country differences in residual inequality.

According to (6) the impact of gender specific factors is reflected in the sum of the first and third terms, the effect of gender differences in observed characteristics and of gender differences in wage rankings at a given level of observed characteristics. Labour market structure is reflected in the sum of the second and fourth terms, the impact of inter-country differences in returns to measured and unmeasured characteristics. Within the framework of a traditional decomposition, the sum of the

third and fourth terms represent the impact of inter-country differences in the unexplained differential, which in most cases is interpreted as an estimate of discrimination.