Gender Wage Gaps : A European Perspective*

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Gender pay discrimination has been outlawed in all Member States of the European Union (EU) since many years. Article 119 of the Treaty of Rome, establishing the European Communities in 1957, already introduced the principle that women and men should receive equal pay for equal work. Since 1975, this basic principle has been refined and took further through a number of European Directives. The latter extend the principle of equal pay to work of equal value, guarantee the right to equal treatment in the workplace (i.e. access to employment, vocational training, promotion and working conditions), and provide for equal treatment of women and men with respect to both statutory social security and occupational social security (Rice, 1999). Another important development towards the reduction of gender pay inequalities was the adoption in December 1997 of a European Directive on the burden of proof in cases of discrimination based on sex. This Directive implies that “when persons consider themselves wronged because the principle of equal treatment has not been applied to them establish, before a court or other competent authority, facts from which it may be presumed that there has been direct or indirect discrimination, it shall be for the respondent to prove that there has been no breach of the principle of equal treatment” (Official Journal of the European Communities, 1998, pp. 8). Also noteworthy is the establishment in recent years of gender equality as a central part of the European employment strategy (Rubery et al., 2000). Since the Luxembourg summit of 1997, strengthening equal opportunities between women and men has, indeed, become the fourth pillar of the employment guidelines, next to the pillars of employability, adaptability and entrepreneurhip. What is more, since 1999, EU Member States are required to adopt a gender mainstreaming policy throughout their National Action Plans.1

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During the last decades, a large number of studies have focused on the magnitude and sources of the gender wage gap in Europe. These studies indicate that, while EU countries have brought their laws into line with European Directives, significant gender wage gaps persist in all Member States (Blau and Kahn, 2000; Maruani, 2000; Meurs and Ponthieux; 2000; and Rice, 1999). Findings also show that gender wage gaps have been decreasing in most EU countries during the 1990s but only slowly (Eurostat, 2001). Therefore, some authors argue that, in spite of EU legislation, there is still no “natural” trend towards pay equality (Maruani, 2001).

To tackle the gender pay differential, it is crucial to acquire a broad understanding of its structural characteristics and of its evolution so as to be able to assess the impact of labour market policies. Many factors influencing the gender pay ratio have been identified. These factors include inter alia: (i) differences in human capital; (ii) sectoral and occupational segregation and/or concentration, (iii) working time, (iv) the overall pay structure, (iv) the existence and level of minimum wages, (v) the access to internal and public training schemes, the organisation of training time, (vi) the industrial organisation, and (vii) women's representation in trade unions, employers’ organisations and in bargaining or representative bodies (Blau and Kahn, 1992; Joshi and Paci, 1998; and Silvera, 1996). The impact of these factors on the gender wage gap may be affected by labour market or family policies (Concialdi and Ponthieux, 1999). Social security and fiscal regulations are also important for they may lead to changes in the continuity or discontinuity of the career, in the type of jobs taken on by women and in the returns to these jobs (Ruspini and Saraceno, 1999). What is more, results show that policies encouraging low wages or restraining wage progression have a negative effect on the gender wage gap (Concialdi and Ponthieux, 1999). Therefore, “…there is a considerable scope for political choice. Changing the gender pay ratio requires actions on a wide side set of policy agendas, involving the mainstreaming of pay equality across different levels of policy-making” (Grimshaw and Rubery, 2000, pp. 2).

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1 For a description of the EU legislation and strategy on gender equality see European Commission (1994, 2000, 2002).
Be that as it may, the persistence of significant gender pay differentials in EU Member States obviously indicates that EU legislation has still not achieved the necessary impact (European Commission, 2001). This can at least partly be attributed to the fact that: (i) the 1975 European Directive on equal pay to work of equal value did not specify how equal value had to be established, (ii) the European guidelines lack the force of a Directive, and (iii) the equality guidelines lack specific targets (Barrett et al., 2000). Nevertheless, continuing pay inequalities between women and men also derive from the fact that there is no good understanding of the phenomenon itself (Maruani, 2001).

Assessing the exact size and evolution of the overall gender wage gap in EU countries is still problematic. There are two main harmonised databases for comparing gender pay differentials throughout Europe: the European Structure of Earnings Survey (ESES) and the European Community Household Panel (ECHP). Unfortunately, neither of these data sets is fully adequate. The main weakness of the ESES is that it does not cover the public sector or common services. This is a significant limitation since the number of women working in these sectors is considerably higher than the number of men. Moreover, ESES data at EU level are only available for 1995 on an aggregated basis. The main shortcoming of the ECHP is that the information on wages is not fully reliable.

Many uncertainties also remain as to the factors leading to pay inequalities. This is not very surprising since many EU countries have long been reluctant to make individual statistics on wages available to researchers. Nevertheless, data availability is not the whole story. To gain a better understanding of the causes of wage inequalities, the statistics on wages should to be completed and improved in various ways (European Commission, 2001). Firstly, there is a need to enlarge the coverage of the EU harmonised statistics. It is essential to collect data for all groups of the working age population (whether employed full-time or part-time, unemployed or inactive), for all branches of industry (independently of the type of economic and financial control) and for several years (ideally panel data). Secondly, there is a need to gather information on a larger number of variables, including the level and structure of gross wages (e.g. basic pay, premia, bonuses), the household situation (e.g. marital status, number

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2 It should be noted, however, that a valuable code of practice on the implementation of equal pay for work of equal value, giving concrete advice to employers and contracting parties at corporate and sectoral level, has been published by the European Commission (1996).

3 For a comparison of the advantages and disadvantages of the ESES and ECHP see Plasman et al. (2001).
and age of the children), individual and establishment characteristics (e.g. experience, tenure, working time, career breaks, training programmes, occupation, size and profit of the establishment, type of collective agreement). To put it differently, it would be very useful to have a single data set including (at least) all variables currently available in the ESES and ECHP. Finally, for a number of variables – in particular the occupation – information is required at a much more disaggregated level than is available at present. This is essential if one wants to compare wages of women and men who perform equal work and work of equal value (European Commission, 2001).

Bayard et al. (1999) recently re-examined the question of the relative contributions to the overall gender wage gap of: (i) sex segregation and (ii) wage differences by sex within occupation, industry, establishment, and occupation-establishment cells. To do this, they assembled a unique matched employer-employee data set covering all industries and occupations across all regions of the USA. In contrast to previous research (in particular Groshen, 1991), they found that a substantial part of the sex wage gap takes the form of wage differences between women and men within narrowly-defined occupations within establishments. The authors therefore conclude that “further research into the sources of within-establishment within-occupation sex wage differences is much more important than previously thought” (Bayard et al., 1999, pp. 41). Unfortunately, to carry out a similar analysis for the EU, it is clear that more disaggregated Community-wide statistics on occupations (preferably at the four-digit level) should be collected.

The 79th Applied Econometrics Association Conference was organised with the specific aim of stimulating discussion on the “Econometrics of Wages”. Various sessions have in particular focused on Gender Wage Gaps and Labour Market Policies.\(^4\) The collection of papers in this Special Issue, originally presented at the Conference, provides new insight into the magnitude and sources of the gender wage gap in European countries. In what follows a short summary of these papers is presented.

**Indicators on Pay Inequality**

In 2001, the Belgian Presidency of the European Union, in accordance with Sweden, has suggested a set of indicators on gender pay equality. These indicators have been adopted at the Employment and Social Affairs Council on 5 December 2001. Gender pay equality is the topic of one of the Employment Guidelines structuring the European Employment Strategy. The choice of indicators has been based on a study made by the Department of Applied Economics of the Free University of Brussels (DULBEA) for the Belgian government. The main results of this study are presented by Robert Plasman and François Rycx (Université Libre de Bruxelles) in the opening paper.

Next, using the European Community Household Panel, Anne Plasman, Robert Plasman and Michael Rusinek (Université Libre de Bruxelles) provide estimates of the gender wage gap for thirteen EU countries between the years 1994 and 1998. The authors decompose these gender wage gaps on the basis of the Oaxaca-Blinder (1973) technique. Their findings indicate that the gender wage gap is the highest in Germany, Austria and the UK and the smallest in Italy, Portugal, Spain, Belgium and Denmark. Moreover, their results show that the unexplained part of the wage gap is negatively correlated with the level of the gender wage gap. Finally, it appears that the gender wage gap has been decreasing between 1994 and 1998 in all countries under investigation.

**Labour Market Segregation and Segmentation**

In the third paper, Kostas G. Mavromaras (University of Aberdeen) and Helmut Rudolph (German Federal Employment Office) examine the impact of occupational changes on the development of the male-female wage gap within occupations in Germany between the years 1985 and 1995. Their contribution shows that changes in occupational segregation influence the wage gap in a rather complex way, depending on the gender composition and the employment growth of occupations. The core empirical result of the paper is that the movement of females into high wage/growth occupations makes migrating females better off but worsens the average male-female wage gap. More specifically, the paper shows that, amongst male dominated occupations and fast growing occupations, segregation reductions cause wage gap increases. The policy implication is that, in the case of male dominated occupations, segregation policies should be augmented by the simultaneous introduction of
occupation related equal pay policies in order to combat within occupation wage gaps. The paper also shows that segregation changes have no impact on wage gap changes amongst integrated and female dominated occupations, as well as slow growth occupations. A different policy message arises for these occupations. First, combating segregation will not necessarily decrease the wage gap. Second, segregation should be taken into account when measuring the wage gap, but in a qualified way.

Using the 1998 Swiss Wage Structure Survey, Alfonso Sousa-Poza (University of St. Gallen) analysis the relationship between labour market segmentation and the gender wage gap. Due to the large sample size and good quality of the wage data, a very detailed study has been carried out. It is shown that in three selected industries the unexplained and potentially discriminatory gender wage differential is substantially larger in the primary than in the secondary segment. The author also decomposes the gender wage gap encountered in selected occupations within the primary segment of a specific industry. Large unexplained wage differentials remain even after eliminating segregation as a possible cause for wage differences.

In the next paper, François Rycx and Ilan Tojerow (Université Libre de Bruxelles) simultaneously analyse the gender wage gap and the inter-industry wage differentials in the Belgian private sector. On the basis of the 1995 Structure of Earnings Survey, they estimate the inter-industry wage differentials by gender and the gender wage gap by industry. They find significant inter-industry wage differentials for men and women, even when controlling for a large number of productivity-related factors. These differentials are highly correlated but significantly different. An Oaxaca (1973) and Blinder (1973) decomposition, realised at the Nace three-digit level, shows that around one-tenth of the overall gender wage gap (on average women earn 22% less than men) is due to industry effects.

Using data on stereotypic thinking with respect to working aspects in the Netherlands and data on the labour market situation of Dutch university graduates, Christoph Meng (Maastricht University) analyses the extent to which stereotypic thinking is present and to which it can add to an explanation of gender differences during the transition from higher education to the labour market. The results indicate that female and male job characteristics next to female and male employee characteristics play an important role in explaining wage differences between male and female university graduates.
Employment Breaks, Part-time Periods and Bonuses

The European Union’s aim for higher female participation rates will primarily be reached through re-entry. Cécile Wetzels and Kea Tijdens (University of Amsterdam) analyse the re-entrants’ motives, re-entry chances and its impact on wages for the Netherlands, using three data sets. The ending of the motherhood role is the most referred motive. Financial motives are cited by re-entrants with short interruptions. Significant positive factors for re-entry chances are the presence of teenage children, an age up to 45 and a high education. A negative factor is the condition of working locally. OLS regressions reveal that being a re-entrant has a large negative effect on women’s wages, and so has each extra year of a career break.

In the next contribution, Miriam Beblo and Elke Wolf (ZEW) estimate the depreciation of work experience due to non-work and part-time spells for German women, taking into account both the duration and the timing of these discontinuities. The depreciation rate on job-related human capital caused by an employment break amounts to 33% per year, whereas part-time periods are not associated with a devaluation of experience. Simulations show that a three-year break at age 30 results in an hourly wage reduction of € 0.6 at age 45 which corresponds to 4% of the wage rate of a continuously employed woman. Postponing the break by five years raises the penalty to 9%.

Finally, Sévrine Lemière (Université de Paris 1) measures the extent of wage discrimination between women and men in fix bonuses, personal bonuses and performance bonuses in France. Using the 1992 «Coût de la main-d’œuvre et structure des salaires », the author shows that the gap between women and men is in majority or totally unexplained by individual and firm characteristics.

References


