

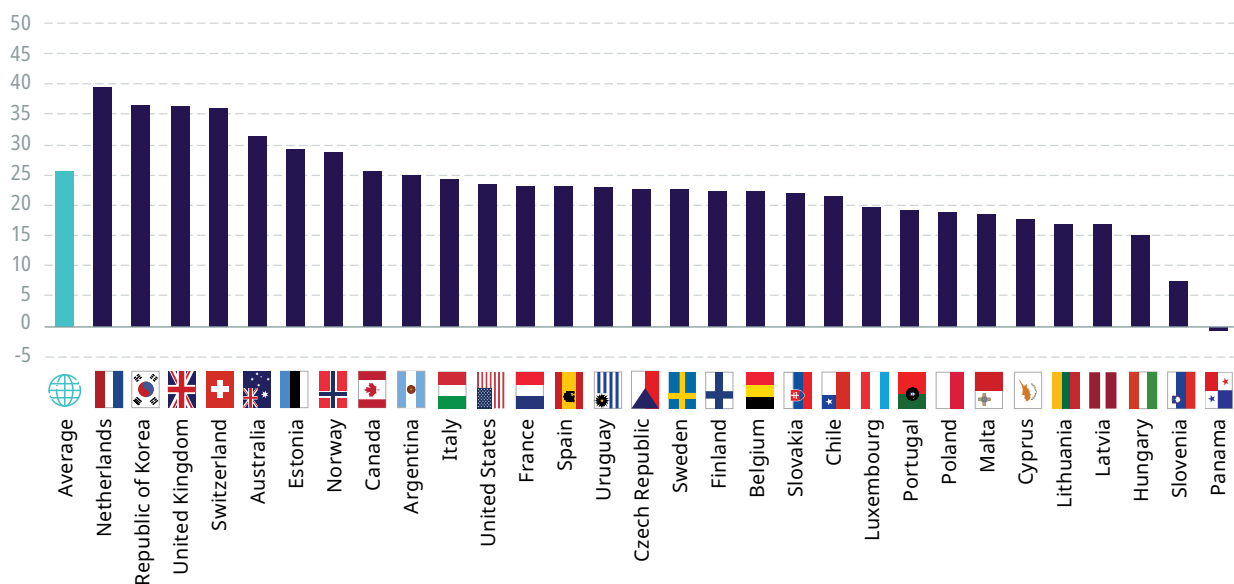


► Understanding the gender pay gap

The International Labour Organization (ILO) estimates that women on average continue to be paid about 20 per cent less than men across the world. There are large variations between countries, from a high of over 45 per cent to hardly any difference (see figure 1). The gender pay gap has been reduced in some countries while in others there has been little change.¹

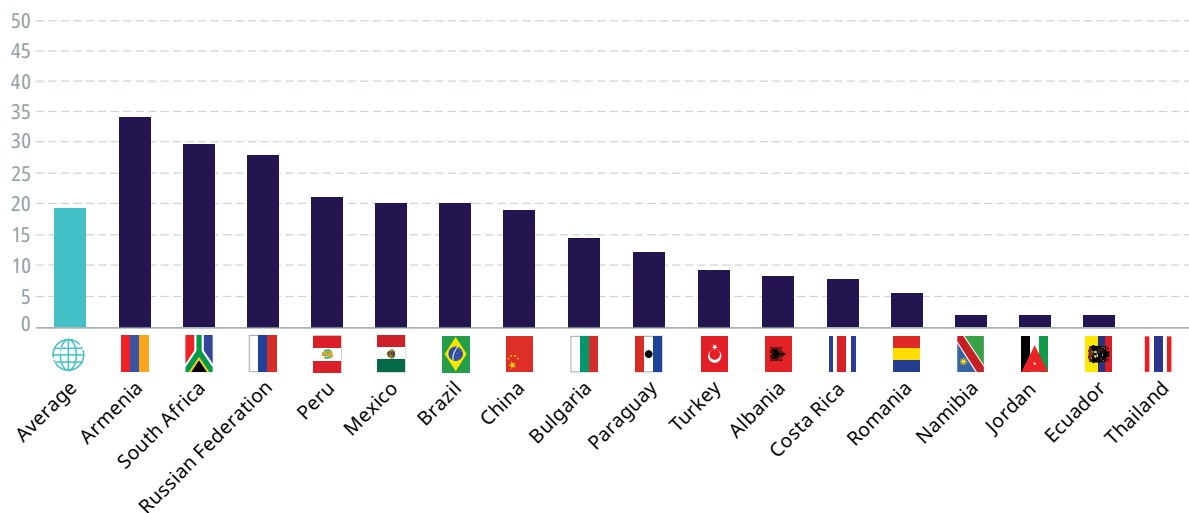
Figure 1. Mean gender pay gaps using monthly earnings, selected countries by income group

a) High-income

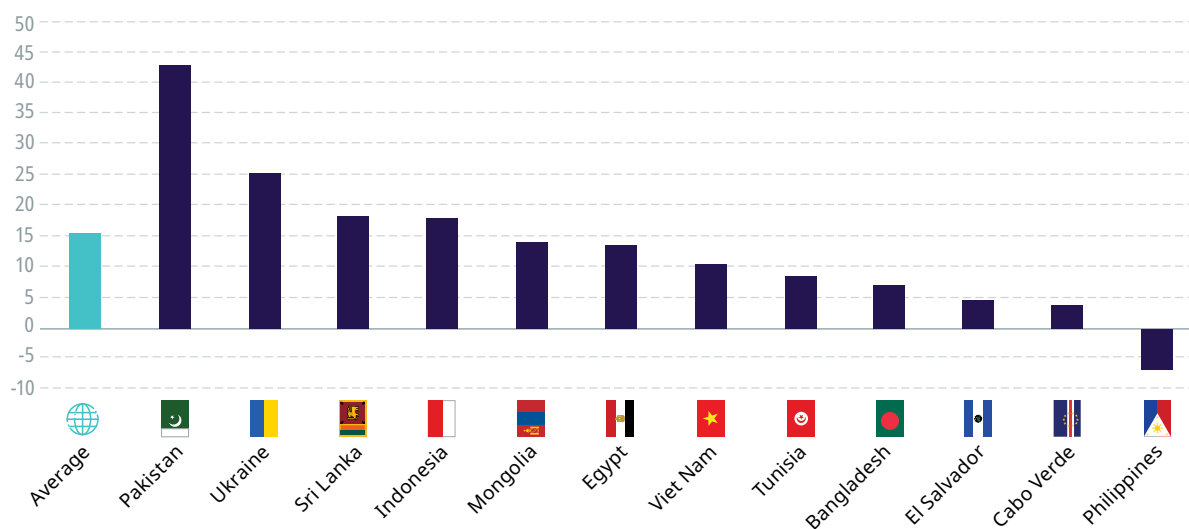


¹ This brief is based on findings from the ILO report on *Women in Business and Management: The business case for change* (Geneva, 2019).

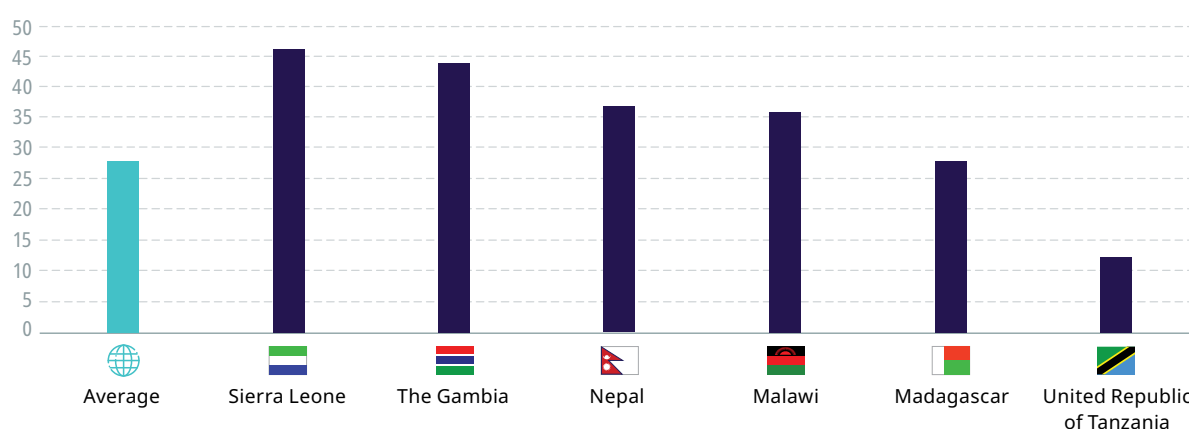
(b) Upper-middle income



(c) Lower-middle income



(d) Low-income



Source: ILO: *Global wage report 2018/19: What lies behind the gender pay gaps* (Geneva, 2018), p. 25.

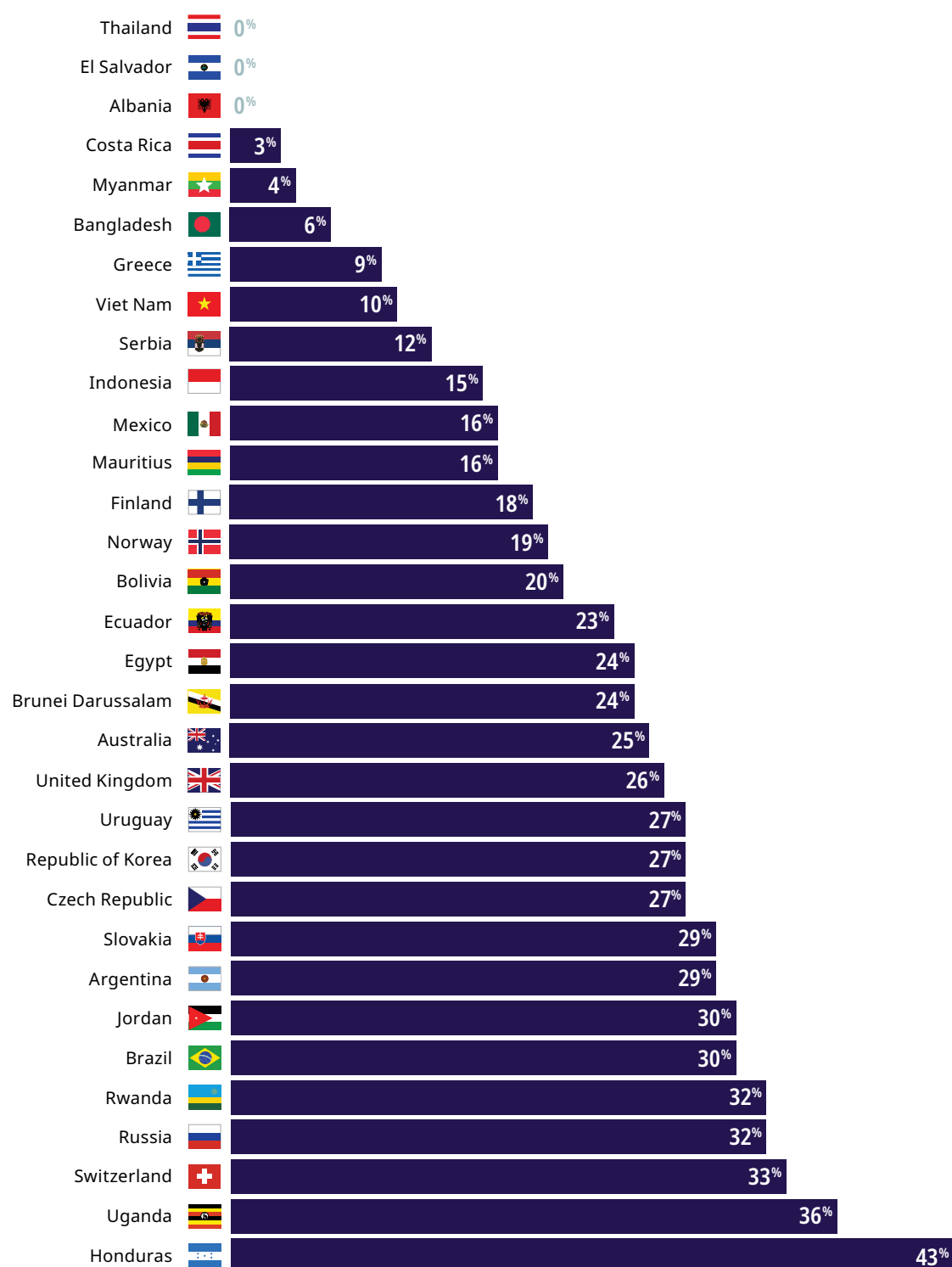
The gender pay gap is a measurable indicator of inequality between women and men. Most governments have legislated to guarantee equality of treatment between men and women in remuneration. The ILO Equal Remuneration Convention, 1951 (No. 100) is one of the most highly ratified conventions. Yet, the gender pay gap persists and the World Economic Forum estimates it will take 202 years to close the global gender pay gap, based on the trend observed over the past 12 years.²

Even when women advance to higher paying jobs in management, the gender pay gap is frequently found. Figure 2 shows that the gap ranges between a high of 43 per cent in Honduras to a low of zero in Albania, El Salvador and Thailand. In some cases, the gap is similar to the overall gender pay gap and in other cases it is larger or smaller depending on the economic sectors and industry profile of different countries, the kind of jobs where women or men are concentrated in the labour market, as well as gender norms that reserve management jobs mainly for men.



² World Economic Forum: *The Global Gender Gap Report 2018* (Geneva, 2018), p. 15.

Figure 2. The gender pay gap in management for selected countries, latest available year



Note: Mean nominal percentage difference in monthly earnings of female and male managers, 2017 for all countries except Australia (2014), Egypt (2015), Jordan, Mali, Switzerland (2016), Brazil, Ecuador, Mexico, Serbia (2018).
Source: ILOSTAT.

The gender pay gap needs to be considered in the context of overall gender inequality. It is one of the more visible examples of structural gender discrimination stemming from the horizontal and vertical segmentation of labour forces. The greater participation of women in the labour market and their higher levels of education alone have proven to be insufficient to dismantle this segmentation.

What causes the gender pay gap?

Under-representation in leadership. Far fewer women than men are in management and leadership positions, especially at higher levels. When women are managers, they tend to be more concentrated in management support functions such as human resources and financial administration than in more strategic roles. This brings down the average salary of female managers compared to that of male managers.

Working hours. The gender pay gap is often a consequence of the different patterns of workforce engagement by women and men. In the *Global wage report 2018/19: What lies behind the gender pay gaps*, the ILO highlights that women work on a part-time basis more than men do in all but five of the 73 countries where data are available.³ This is often linked to women taking on more of the unpaid family responsibilities. On the one hand, women may be in part-time employment as a result of

To reduce differences between average earnings of men and women, we instead need to tackle gender segregation in education and in our labour markets. Societies should do more to address the long established cultural reasons leading to a persisting gap. This means promoting gender neutral choices of individuals at all stages and in all aspects of their lives.

Source: BusinessEurope: *Addressing the gender pay gap – a BusinessEurope position paper* (23 June 2015).

³ The report does not consider trends in productivity as part of the analysis due to the lack of data (see p. 23). The effect of productivity gaps could also partially explain gender pay gaps.

We have been talking about gender equality, and the ILO is invested here, and has been for a very long time. Equal pay for equal value is in our constitution from 100 years ago. We adopted the key ILO conventions on equality 60 years ago. And yet we still have these problems like gender pay gaps and lower work participation.

It is clear to me that just adopting laws, just doing the obvious good things – important as they are – is not enough.

Guy Ryder, Director General, ILO

Source: *Nordic Labour Journal: ILO's DG Guy Ryder finds inspiration from problem-solving Iceland* (12 Apr. 2019).

the lack of affordable and sufficient child care. On the other hand, women's opportunities for full-time employment may be more limited than men's, resulting in women taking part-time employment. Part-time work does not always provide benefits that are proportional to those of full-time work, which can affect the remuneration package over time.

Time out of the workforce. Women more than men are likely to take career breaks from their employment in order to raise children or care for the older or ill members of the family. This means that when they return to work, they are likely to have fallen behind in advancement and in remuneration. In many countries, the issue of part-time work and career breaks may not arise as domestic workers and extended family help are readily available. Nevertheless, as labour markets evolve, this situation can easily change.

What causes the gender pay gap?



Education. Women are surpassing men in most regions as tertiary graduates, and they are advancing into the science, technology, engineering and mathematics (STEM) disciplines. Nevertheless, women still lag behind men in STEM areas that are associated with higher paid jobs. Even when women are qualified in STEM subjects, it can be challenging for them to obtain and maintain a job in these areas because they are traditionally male dominated.

Feminized jobs. Occupational gender stereotyping results in certain jobs being held predominately by women, and that leads to “female jobs” being undervalued for purposes of wage rate determination. This brings down wages across the board for women compared to men as feminized occupations and

industries tend to pay less than those occupations and industries dominated by men. Also, enterprises that employ a majority of women tend to have lower wages than businesses employing mainly men.

How you structure your workforce is explicit, needs to be architected and you have to know which things to do first. From our research conducted a few years ago on gender participation in the workforce, we found that across all economies that increasing gender participation adds a significant amount to all economies. If we get the big things right, like gender participation, health and safety standards, technology training standards, we would make a lot of progress.

Vivian Hunt, Managing Partner, United Kingdom and Ireland, McKinsey & Company

Source: Speech given at the event “How to shape a future that works: Transforming the global response to the future of work”, organized by the Financial Times and the ILO (Geneva, 11 Apr. 2019).

Unexplained parts of the gender pay gap. While there are a number of objective elements that explain the gender pay gap, research has shown that those elements do not account for the whole gap. There may be factors that are unknown or unaccounted for, but also there can be an aspect of discrimination on the basis of sex, whereby a job done by a woman is perceived as worth less than a similar job done by a man. In the absence of objective job evaluation methods and practices, gender bias can easily occur in determining pay scales for women and men.

Benefits of closing the gender pay gap

The benefits of women earning the same as men include an increase in their purchasing power which in turn helps stimulate consumer spending and the economy. This is also the case with more contributions to pension schemes and spending of pension incomes.



The ILO estimates that reducing the gap in participation rates between men and women by 25 per cent by the year 2025, could raise global GDP by 3.9 per cent, or US\$5.8 trillion.

By fully closing the gender pay gap, PricewaterhouseCoopers estimates that gains to the gross domestic product (GDP) of economies of the Organisation for Economic Co-operation and Development could exceed US\$6 trillion. Furthermore, women's earnings could increase by US\$2 trillion.⁴

Eliminating the gender pay gap can provide incentives for more women to be economically active, which would advance gender equality and create a virtuous circle. Studies have linked increased labour participation rates of women with higher levels of GDP. The ILO estimates that reducing the gap in participation rates between men and women by 25 per cent by the year 2025, could raise global GDP by 3.9 per cent, or US\$5.8 trillion.⁵

Challenges in narrowing the gender pay gap

In analysing the gender pay gap, the current global context needs to be borne in mind. The *ILO Global Wage report of 2018/19* notes that despite some increases in economic growth and employment, global wage growth in 2017 was not only lower than in 2016, but fell to its lowest growth rate since 2008, remaining far below the levels observed before the global financial crisis. Reasons for this include slow productivity growth and the intensification of global competition. Of concern is that slow wage growth has become an obstacle to achieving sustainable economic growth, and it is also affecting efforts to reduce the gender pay gap.

“Equal remuneration for work of equal value” is a challenging concept for many enterprises to apply, even when their governments have ratified ILO Equal Remuneration Convention, 1951 (No.100). In particular, there is a general lack of understanding of the concept of “work of equal value”. This is because women are usually employed in jobs different to those of men. The difficulty lies in how to compare these jobs within the enterprise and across economic sectors and industries. Some countries have developed job evaluation methodologies that are applied to different degrees. The technical challenges involved in developing and applying job comparisons contributes to the persistence of the gender pay gap.

An important issue in gender pay gap reporting is understanding exactly what it represents and the implications of reporting a gender pay gap. The potential risk for any business is that it could be perceived as less than fully committed to fair pay, promotion and development opportunities for women. One of the obvious consequences is being seen as a less attractive employer – undermining the ability to recruit when securing talented people is a key determinant of success.

Darina Barrett, Head of Financial Services, KPMG in Ireland

Source: BNY Mellon and others: *Women in management: The leadership pipeline 2018* (New York, 2017), p. 20.

⁴ PriceWaterhouseCoopers: *PwC Women in Work Index, Closing the gender pay gap* (Mar. 2018), pp. 10 and 11.

⁵ ILO: *World Employment and Social Outlook: Trends for women 2017* (Geneva, 2017), p. 18.

What can enterprises do to close the gender pay gap?

For companies seeking to enhance gender diversity across their organization, it is important to take stock of gender inequalities, including gender pay gaps, which may be part of their organizational culture. Enterprises can take numerous measures to help close the gender pay gap in their organization. As a first step, recognition of the business benefits of improved gender diversity at all levels is critical as well as commitment from top leadership. More specific approaches to narrowing the pay gap include:

- Promoting a gender-inclusive business culture while adopting a holistic approach to equal remuneration for women and men for work of equal value.
- Making equitable salary offers to men and women.
- Basing pay on the position itself rather than previous pay of the employee as the latter perpetuates the gender pay gap.
- Undertaking a gender pay review in the enterprise to assess whether there is a gender pay gap and to what extent - conducting regular pay reviews can help a company keep on top of any discrepancies.
- Making jobs more flexible so that more women access higher-level jobs and, therefore, higher pay.
- Ensuring that unconscious gender bias does not affect performance reviews.
- Selecting and applying a job evaluation methodology to assess the skills and responsibilities of the various jobs in the enterprise with a view to adjust job titles, contents and corresponding pay overtime.
- Sharing results with employer and business membership organizations and other companies in the enterprise's networks.



For further reading, please see

Women in Business and Management: The business case for change

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