

TACKLING THE GENDER PAY GAP

FROM INDIVIDUAL CHOICES TO INSTITUTIONAL CHANGE

SUMMARY

Sixty-five years after the International Labour Organization Convention No. 100 on equal remuneration, the gender pay gap remains pervasive across all regions and most sectors, and policy debate continues on how to close it. Policy attention has focused on women's own behaviour and choices, but women have been investing more in their education and participating more continuously in employment without reaping the expected benefits. It is time to focus instead on changing the environment in which women are making choices. This brief focuses on policies needed to change employment arrangements. This would involve: raising and extending minimum wage floors to reduce the penalties that come from being at the bottom of the wage hierarchy; improving the valuation of women's work through strengthening legal and collective regulation; extending gender pay audits and action plans; and improving women's employment opportunities by developing progression opportunities in female-dominated jobs and sectors, and enabling mothers to remain in, or return to, employment. Policies to close the gender pay gap need to be developed in tandem with policies to reduce inequality overall, promote social justice and extend state support for working parents.

Introduction: Why closing the gender pay gap matters

Despite the strides that women have made in many parts of the world in integrating into formal employment, raising their educational levels—sometimes above that of men—and developing their political and economic independence, gender pay gaps remain a feature of all labour markets.

The gender pay gap, defined here as the gap in average wages paid to women compared to men, is a major cause of an overall lifetime income gap between men and women. For the world as a whole the gender pay gap is estimated to be 24 per cent, and although variable in size, it is positive and persistent in all countries.¹ Where the gap is small, this may reflect greater gender equality, or alternatively, a tendency for only the better-educated women to be included in formal employment.² Where women are concentrated in the informal economy, the challenge is not only to address issues of equal remuneration but also to extend formal employment status and the rights associated with it to those who work informally, including those on subcontract for major companies.

The core argument for closing the gender pay gap is social justice for half the world's population. When women are reliant on their own wages for subsistence, they often fall into poverty,³ not able to provide a decent standard of living either for themselves or their children. Women should have the same rights as men to develop their capabilities, but pay discrimination limits their choices and impacts on their lifetime earnings.

In addition pay equality can have positive economic benefits if it enables economies to make better use of women's potential and talents.

Explaining the gender pay gap: From individual choices to structural causes

There are four main reasons why it is difficult to close the gender pay gap.

- There is the problem of overcoming strong legacies of gender segregation, in the division of unpaid care and domestic work and in the organisation of wage work. Women's unpaid work responsibilities restrict their access to jobs and careers, and conversely unequal pay also limits the scope for individual families to change the domestic division of labour.
- Legislative rights to equal pay for work of equal value are limited and often ineffective.⁴ Comparators are often restricted to men working within the same establishment and in similar jobs, which ignores the reality of widespread labour market segregation on the basis of gender.
- Gender inequalities may take on new forms. Women may move from unpaid care work into formal employment, only for new gender divisions to emerge within formal employment, or women may enter high-level and hitherto male-dominated occupations, only for gender divisions within the occupation to intensify.⁵
- Growing inequality and reduced regulation and transparency is turning the task of achieving greater gender equality

into an uphill struggle.⁶ Higher wage inequality increases penalties for those at the bottom of the labour market, and trends towards more individualised pay increase the scope for managerial discretion and discrimination.⁷ More outsourcing and subcontracting provides opportunities for employers and clients to evade regulation and responsibilities for employment standards.⁸

Closing the gender pay gap has become a shorthand way of describing efforts to improve women's socioeconomic position. However, there are some disadvantages in focusing too literally on this measure. First, although the formalization of informal jobs is itself a positive step, the effect may be initially to widen the gender pay gap as there may be an increase in the share of women in low-paid formal sector jobs. Second, women's material position is not improved if the gap is closed either because men's pay has declined or if real wages are falling for both men and women. Figure 1 shows that, in the United Kingdom, although the gender pay gap narrowed after the financial crisis, real wages were falling for both women and men. Third, trends in gender gaps in hourly pay may capture direct pay discrimination, but if women work part-time or have long periods out of employment, gender lifetime income gaps will be even greater.

Explanations for the gender pay gap have focused on the behaviour and choices of women, with the gap often attributed to women's lower education, more restricted work experience and their choice of occupation to fit their family responsibilities. However, over recent decades women have increased their education—sometimes overtaking that of men—extended their tenure in employment and also entered new occupations such as medicine and law. All this suggests that action by women themselves is not sufficient to bring about equality and it is the institutional context in which women are pursuing their careers that needs to change.⁹ There needs to be a greater focus on changing employment institutions, including reforming practices of wage setting, recruitment and promotion, which is the focus of this brief. These changes need to go hand-in-hand with policies to recognize the value of women's unpaid care work in the household and extend social support for care work, issues that are addressed in policy brief No. 2 and No. 5. Both types of reforms are essential to reduce both the gender pay gap and the gap in women's lifetime income.

Reforming employment institutions

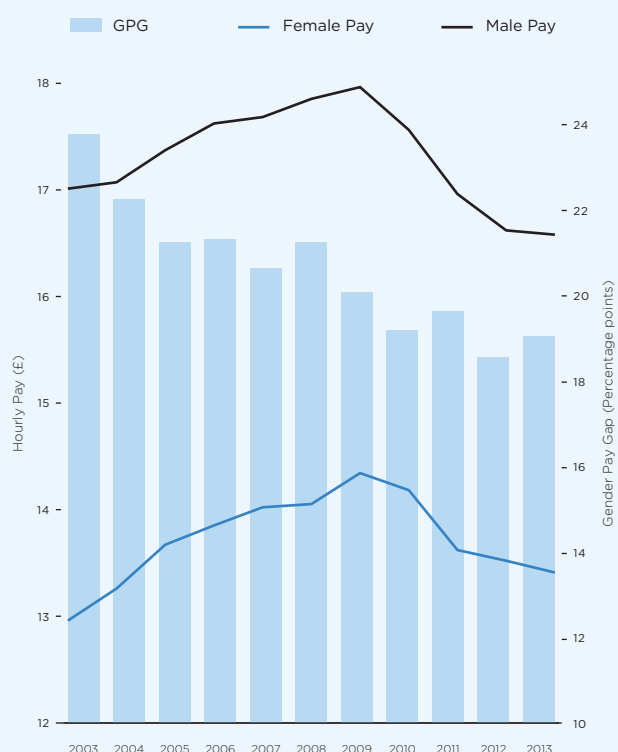
To promote equal pay, reforms need to focus on three areas: raising the wage floor, valuing women's work and skills, and extending employment opportunities.

1. Raising the wage floor

Research shows that the less the overall inequality in wages, the lower the penalties for being at the bottom of the wage hierarchy.¹⁰ As women are over-represented and even concentrated in the lowest paying or lowest status jobs, it is particularly important for the minimum floor to wages to set a decent standard in relation both to living costs and to median wages. International definitions consider low pay to be below 60 to 66 per cent of median pay, but minimum wage levels are usually below these ratios. Coverage and enforcement of legal minimum wages are equally important. In developing countries many women in the informal economy are not legally covered by minimum wages. However, minimum wage legislation can still play a positive role: first there is some evidence that minimum wages in the formal sector improve wage levels in the informal sector too, known as a “lighthouse effect”;¹¹ and second, the minimum wage sets a standard for pressure groups and trade unions to aim at when pressing for improved conditions for informal workers in a subcontracting chain. An example of a virtuous circle with respect to minimum wage policy can be found in those Latin American countries where there have been simultaneous efforts to organise domestic workers, extend minimum wage coverage to domestic workers and raise the minimum wage (see Box 1).

FIGURE 1

Real wage trends and the gender pay gap in the United Kingdom



Source: Grimshaw 2015.

BOX 1

Extending minimum wage and collective bargaining coverage to domestic workers in Latin America

In several countries in Latin America there have been parallel efforts to organise domestic workers, to include domestic workers in the coverage of minimum wage regulations and to upgrade the level of the minimum wage. For example in Brazil the Domestic Workers' Federation (FENATRAD) has been organising the country's seven million domestic workers while the government has promoted increases in the minimum wage. Domestic workers who had previously faced stagnating wages experienced a 47 per cent real rise in their monthly average wages between 2003 and 2011, compared to a 20 per cent increase in average wages for all wage employees over the same period. The period 1995 to 2007 also saw a fall in the gender pay gap from 38 to 29 per cent during a period of real wage growth for both women and men.

Sources: ILO 2013b, p.74; and UN Women 2015, pp.73 and 119.

BOX 2

High risk grading and pay practices

Grading

- More than one grading and pay system at the workplace
- Long or overlapping pay scales for each grade
- Job evaluation system out-of-date or gender-biased

Pay Practices

- Differences between groups in bonus payments, overtime or unsocial hours payments
- Managerial discretion over starting salaries and performance pay

Pay Culture

- Lack of transparency and secrecy over pay
- Lack of scrutiny of discretionary pay decisions
- Use of market factors to justify variations in pay

Sources: Based on United Kingdom Equality and Human Rights Commission 2010.

2. Improving the valuation of women's work

Minimum wages will not solve all problems and there is a danger they may become the going rate of wages, with differences in skills and experience going unrewarded. Only 43 per cent of countries (with data) have laws that require

equal pay for work of equal value, and even then, equal pay legislation mainly applies to within company comparisons.¹² In contexts of occupational segregation, there needs to be more scope within equal pay law for comparing pay across organisations and sectors. Nevertheless, coordinated collective regulation of wages is likely still to be necessary to reduce wage inequalities between sectors and to provide a framework for establishing fair rewards for skills, including women's skills. Except in some countries with high trade union coverage, measures to improve the valuation of women's jobs are either primarily found in the public sector or through regulations mandating collective bargaining for equality (for example, in France¹³) or trade union involvement in gender pay audits (for example, in Quebec, Canada¹⁴). These equal pay audits may be helpful at identifying pay practices that are risky for gender equality (see Box 2). Action plans are needed, preferably developed along with trade unions, to limit discretion and gender bias in job grading and pay practices. Indeed, this needs to be done even if a small gender pay gap is revealed, as it could be that women are deserving of higher pay in that particular workplace.

3. Improving access to employment and advancement

The third set of policies is to promote better access for women to employment opportunities. This may have the effect of reducing gender-based occupational segregation. Desegregation of occupations, however, is not in itself an automatic route to solving the gender pay gap, since the overall pay in the occupation may fall, or women may become concentrated in lower ranks within the occupation (see Box 3). Furthermore, many of the jobs in which women are concentrated, such as nursing, and child and elder-care, are extremely valuable to society. Moving women out of care jobs, for example, does not solve the problem of who is to provide the care. What is needed is action to improve the wages attached to these jobs so that those providing paid care do not face financial penalties (see Policy Brief No. 2 and No. 5).

To open up employment opportunities requires a two-pronged strategy. The first is to create more opportunities for progression within occupations or workplaces where women predominate. Many employers fail to provide for progression opportunities and pay women similar rates, regardless of their skills and experience.¹⁵ A second approach is to support women pursuing flexible or non-linear careers. The most direct way to do this is to provide for maternity and parental leave, preferably paid, with the right to return to the same or similar job at the end of the leave. To avoid discrimination against women in recruitment, these rights should be statutory, universal, collectively financed and available to both parents, including some use-or-lose quotas for parental leave rights for fathers. However, even these conditions will not solve the problem if the job requires excessively long

BOX 3

The impact of feminisation on the status of occupations and professions

Women's entry into highly paid male-dominated occupations is often associated with changes taking place within the occupation itself. These changes often lead to an overall loss of pay and status or to new divisions within the employment category, that confine women to the lower ranks. For example, clerical work once had high status and pay, but that was before it became associated with women's work. Referring to the experience of women in the United States of America between 1970 and 2007, Mandel (2013:1183) has described this phenomenon as moving "up the down stair case". Women made substantial inroads into highly paid and male-typed occupations, only for these to be the ones where the negative impact of feminisation on pay was most apparent. In the legal professions women in the United Kingdom now make up more than half of legal associates, but only a quarter of partners. The rapid increase of women within the profession has also coincided with an overall decline in the share of partners compared to lower paid and salaried associates.

Sources: Reskin and Roos 1990; Mandel 2013; Bolton and Muzio 2007.

working hours. Hence, working hours need to be regulated in the interests of working parents, both male and female. Rights to reduce hours or to work more flexibly when children are young may also help women retain their employment position. However, this needs to be accompanied by rights to return to regular working hours¹⁶ or by safeguards against dead-end career paths for part-time workers.

Although the gender pay gap has been very slowly narrowing, continued progress is far from inevitable. Therefore, attention needs to be paid to preventing the widening of the gender pay gap, as well as to finding new opportunities for progress. Gender pay inequality tends to be greater where overall inequality is higher, so policies to reduce gender pay equality need to be developed in tandem with policies to reduce wage inequality overall. Actions are needed not only to reduce the impact of legacies of gender inequality and discrimination from the past, but also to prevent gender inequality emerging in new forms in new employment contexts. Many policies are dependent on government actions and enforcement, but to be effective they need support from employers, trade unions and civil society.

RECOMMENDATIONS

- Raise the minimum wage floor, extend its coverage to previously excluded groups and ensure it is implemented through comprehensive labour inspection regimes
- Support coordinated and inclusive collective regulation of wages
- Implement the principle of equal pay for work of equal value and extend equal pay legislation to allow for comparisons across organisations

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