

# The Gender Pay Gap

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**Abstract** The difference between salaries of male and female employees has been persistent despite the effort employed by government agencies in reducing it. The gender pay gap amounts to 16 % in the European Union (EU) and 23 % in the United States (US) in 2011, and has not varied substantially over the last 20 years. In this paper, we provide a detailed picture of the gender pay gap phenomenon by reviewing the contributions provided by previous literature. We also analyze the role played by the increasing globalization on gender wage inequality, and identify both positive and negative effects. Then, we provide a detailed picture of the regulatory interventions implemented so far to deter the gender pay gap, and identify some of the best practices that national governments could adopt as a response to this phenomenon. Finally, we propose alternative strategies and potential solutions aimed at progressively eliminating the gap.

## 1 Introduction

In the past 50 years, gender equality movements all over the world have been trying to eliminate inequality based on discrimination against women in all aspects of our daily life. However, historical differences between the salaries of male and female employees have persisted over time. This gender pay gap pertains to the specific spread between the hourly wages of women and men, under the assumption of equal work or work of equal value. Over the past 20 years, the gender pay gap remained stagnant. As of 2011, the gap in pay between men and women reached 16 % in the

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European Union (EU), and 23 % in the United States (US) (European Commission, 2013; National Equal Pay Task Force, 2013). Its magnitude varies substantially across countries and between the public and private sectors (Arulampalam, Booth, & Bryan, 2007).

In this paper, we discuss the current status of the debate on gender pay gap literature. Among the widely recognized causes of this phenomenon, we find discrimination, i.e., managers often operate under the assumption that women are less reliable, less motivated, or even less qualified; wage bargaining, i.e. female candidates are less able to negotiate a salary than their male counterparts; and societal expectations, according to which women are expected to reduce their working hours or temporarily quit the labor market to take care of the children. The awareness of these causes led to a paradigm shift in the approach to narrow wage inequality between genders in the recent years. The argument associated with supply-side deficiencies of women is no longer justifiable, with new studies highlighting the role played by the design of wage schemes and the work environment (Rubery, Grimshaw, & Figueiredo, 2005). However, most countries still remain reluctant to implementing new wage-setting policies because societal entities are perceived as responsible for such additional legislation (Plantenga & Remery, 2006).

We also discuss the influence of globalization on gender wage inequality. There are circumstances in which globalization alleviates the difference between men and women salaries, but also others in which the increasing globalization has widened this gap. For instance, having strong trade ties with other countries and favoring foreign investments can help narrowing the gender pay gap, as this stimulates demand for products and services and, as a consequence, for workforce. This leads women to be less discriminated in the labor market. On the other hand, globalization makes it easier to adopt certain practices, such as outsourcing, that may result in an increasing number of women being unemployed for longer periods than men for the same job positions. Overall, it seems that the benefits and drawbacks of globalization have neutralized each other.

We then analyze the policies adopted to mitigate gender pay gap issues, both at a cross-country and at a domestic level. Both Europe and the US have implemented regulatory interventions aimed at guaranteeing gender equality in salaries. At a country level, we focus on the best practices adopted by the four countries having the narrowest gender pay gap in the world. These are all located in Northern Europe, namely, Iceland, Finland, Norway, and Sweden. The programs enforced to guarantee gender equality have particularly focused on improving transparency in salaries, by reviewing the structure of wages and checking their adherence with the previously signed contracts. Considerable effort has been put also into promoting the centralization of human resources staff, so that the same people design remuneration contracts and subsequent adjustments. Overall, the adoption of these practices has resulted in a significant reduction in the domestic gender pay gap.

The remainder of the chapter is organized as follows. Section 2 reviews the literature on gender pay gap. Section 3 discusses the main causes of the phenomenon. Section 4 focuses on the role played by globalization. Section 5 outlines the current policies adopted to mitigate gender pay gap issues, with a particular focus

on countries that have been more successful in its reduction. Section 6 proposes future directions and potential solutions to the problem. Section 7 concludes.

## 2 Related Literature

Blau and Kahn (2001) examine data from 22 countries collected from the International Social Survey Programme (ISSP). They find that a more compressed male wage structure and a low supply of female labor is associated with a lower pay gap between genders. They find evidence that labor market institutions are responsible for a portion of wage inequality at the country level of analysis. Additionally, they find that wage-setting mechanisms raise the relative pay of women compared to men, and the presence of collective bargaining is negatively associated with the presence of a gender pay gap. Overall, the evidence suggests that pay structures are important factors when considering gender pay gaps.

In 2002, the Organization for Economic Co-operation and Development (OECD) explains that the reasons for the gender pay gap often stem from differences in education received, training undertaken, and work-life balance. To compensate for these factors, the organization calls for policy changes to be implemented by national governments, such as equal opportunity policies aimed at fighting gender segmentation, so that stereotypes that arise in society can be removed. Without policies that support gender pay equality, the gender pay gap will not be reduced (OECD, 2002).

In 2002, Negotiating Women conducted a survey on a sample of 500 women about their experiences in negotiating their salaries. The results indicate that, on average, women possess a negative perception regarding their ability to negotiate successfully (Kolb, Williams, & Frohlinger, 2004). Similarly, Wade (2001) finds that women have, on average, effective results when negotiating and advocating for other individuals, but gender-linked stereotypes, roles, and norms limit their effectiveness when advocating for themselves. Wade argues that women are constrained by social norms that lead them to believe they will experience a net loss if they make requests on their own behalf. This has implications for salary and promotion inequalities.

Achatz, Gartner, and Glück (2005) examine the extent to which the gender composition of certain occupational groups within organizations affects employee wages. The explanatory variables used are: the proportion of women in a specific job within the company, education, experience, as well as several fixed effects variables to control for individual, workplace, and institutional specificities. The evidence shows that wages drop in presence of a growing proportion of women in the job cells, with female wages being affected to a greater degree than male wages. The authors conclude that the presence of a work council leads to a reduction in the gender pay gap within the organization.

Mandel and Semyonov (2005) evaluate how family policies influence the gender pay gap. They combine both individual- and country-level data from 20 advanced

societies and provide evidence that countries with strongly developed family policies exhibit a narrower gender pay gap. However, further examination reveals that, while these policies provide women with greater opportunities to enter the job market, they also serve to increase gender occupational inequality. Mandel and Semyonov (2005) argue that in developed welfare states, wage structures rather than family policies can be associated with a narrower gender pay gap. The authors conclude by discussing the implications of policies that, although designed to lessen the wage inequality, eventually cause a detrimental effect on the gender earnings disparities.

Blau and Kahn (2007) examine the origins of the gender pay gap in the US. The researchers began by explaining that from the 1970s to the 1990s, the gender pay gap in the US was narrowing and therefore becoming more equal. From the 1990s onwards, this narrowing stopped and the gap remained stagnant. Blau and Kahn (2007) find reasons for this stagnation, and imply that the reversal of these reasons could help the gap to begin narrowing once again. These causes were the increasing wage inequality and the ability of mothers to move out of home and get into the workforce. These mothers were often less educated, pushing women into a less desirable category from an employer standpoint. The authors hypothesize that the gap will continue to narrow, but not as quickly as in the past. A better work-life balance for women, perhaps by having men taking on more household duties, would help.

Arulampalam et al. (2007) analyze gender pay gaps across the wage distribution and find that the magnitude of the gender pay gap varies “substantially across countries and across the public and private sector wage distributions”. They also discover a “glass ceiling” effect, i.e. gap widening toward the top of the wage distribution, and a “sticky floor” effect, i.e. gap widening at the bottom. Using data from the European Community Household Panel, they find that the effects of family-friendly policy are often double-edged, as in the case of parental leave policy.

Kronberg (2013) investigates how using the strategy of moving from company to company can lessen the gender pay gap. In some cases, moving from one company to another helps make a more equal pay situation. The gap can be lessened when women in good jobs choose to leave for other jobs, or when women stuck in what are considered to be bad jobs have no choice but to leave their job for another. When women choose to leave bad jobs voluntarily, there is no change in whether or not they receive a more equal pay in the following job. When people have to involuntarily leave good jobs, they get paid in a more discriminatory way in their following job. This research shows that those who are in good positions benefit most from the ability to move from company to company.

### 3 The Gender Pay Gap Phenomenon and Its Causes

Countless policies and legislative directives in the US and Europe are clearly grounded on the principle of equal pay for equal work. Some notable examples of these policies are Article 119 of the EU founding Treaty of 1957, the Equal Pay Directive of 1975 within the Advisory Committee on Equal Opportunities for Women and Men, and Germany's Global Equal Treatment Act by the Federal Anti-Discrimination Agency of 2010. In this section, we attempt to identify possible causes and reasons as to why the current legislation, while undoubtedly necessary, has not been sufficient in solving the problem of the gender pay gap. It is important to take into consideration both structural factors, such as wage structures, as well as direct and indirect discrimination aimed at women today.

#### 3.1 *Discrimination in the Workplace*

Discrimination in the workplace is one of the main reasons underlying the existence of a gender pay gap. Managers often operate under the assumption that women are less reliable, motivated or even qualified, even without evidence. Thus, female employees tend to be offered lower wages, slower promotions or just in general less responsibilities than their male counterparts. In the face of this discrimination, women often adapt their behavior to the expectations of their managers, investing less time into their work and focusing more on domestic aspects of their life, meeting the lower expectations of their employers in terms of their commitment and effort in the process (Zizza, 2012).

#### 3.2 *Wage Bargaining*

A lack of power for women in wage negotiations has often been brought up as one of the factors that contribute to the gender pay gap. Blackaby, Booth, and Frank (2005) provide evidence of an existing correlation between external job offers and individual wage earnings. They examine data on academic economist labor market experiences and find that, due to gender discrimination, women receive less external job offers, and consequently lack distinct leverage in wage negotiations.

Nelson Killius, director of the recruiting department for a business consultancy company, reports in the "The Modest Gender" press article that "Men have a tendency to exaggerate, while women tend to be overmodest. If I have a woman's résumé in front of me, I already know that she will leave half of it out." Therefore female candidates, even with outstanding achievements, often miss out on opportunities because they appear too modest in interviews, due to their through their "tendency to understate". This is especially true during salary negotiations.

Then, is it women's own fault if they earn less than their male counterparts? Women judge the value of their work completely different than men, and often see a smaller income as justified (Frick, 2011). Due to the lack of transparency, women often don't know how much their male colleagues earn. However, there are exceptions, as in the case of Scandinavian countries (e.g., Norway or Sweden), that allow to check the salary of every colleague or even the boss' in documents published once a year. Societal behavior patterns certainly contribute to this lack of direct marketing and self-discrimination. Thus, there are more rigorous negotiation strategies and information about comparable salaries and possible solutions to this problem. We will discuss them later in detail.

Prejudice towards (and even within) women has historical roots (Goldberg, 1968). When comparing two identical essays, one with a male author and the other one with a female author, the essay presumably written by the woman tends to receive consistently worse scores (Swim, Borgida, Maruyama, & Myers, 1989). Prejudices exist also in today's professional life. More often than expected, men are evaluated with "excellent, outstanding", while women with "average, unsatisfactory", and women who try to negotiate are often perceived as "less nice" (Katz & Baitsch, 2006). Previous studies show that "men were always less willing to work with a woman who had attempted to negotiate than with a woman who did not. But it made no difference to the men whether a guy had chosen to negotiate or not" (Clark-Flory, 2007).

The European Commission explains the undervaluing of women's work and skills in the 2009 and 2013 reports, with the assessment of women's performances to be seen as female characteristics rather than competences and skills. An example is the inferior wage of female nurses with respect to male medical technicians in defiance of comparable qualifications, or also the overpayment of responsibility for capital against responsibility for people. When taking a look at the negotiating power of employers in companies, men who receive a higher salary at equal qualification levels for identical performance are reluctant to ally themselves with women, so as not to be subjected to worse conditions. On the other hand, women wouldn't reduce their performance either, out of fear of getting laid-off. This only further increases their wage discrimination.

### ***3.3 Traditional Gender Roles, Parental Leave, and Work-Life Balance***

The public opinion of women's behavior is strongly influenced by gender roles and traditional values. Stereotypes of career choices can lead young women into professions that are perceived as typically female but behind that are less well paid. Because of traditions and stereotypes, societal expectations on women to reduce their working hours, or to exit the labor market to carry out child or elder care, are

far greater. “Women work shorter hours and often part-time in order to combine their family responsibilities with paid work. Opportunities for women to progress in their jobs and receive higher pay are also affected by their family responsibilities. The gender pay gap widens when women have children and when they work part-time. In 2010, the employment rate for women with dependent children was only 64.7 % compared with 89.7 % for men with children” (European Commission, 2013).

The gender pay gap is further increased also when employers focus investments in their human capital, often in form of advanced training, first and foremost on full-time employees. Problems occur when, in companies where performance and profits count predominantly, pregnancy creates costs or employers impute to female employees that they invest less time and energy in their education and further training in view of future family-oriented plans, even if the desire to have children is absent. Several other factors not discussed here may play a role in the persistence of the gender pay gap, such as labor market segregation, according to which female occupations are generally paid worse, and women are underrepresented on top-level jobs.

## 4 The Role of Globalization

Globalization has profound effects on people throughout the world, and on the gender pay gap as well. There are some situations where globalization has helped lessen the difference in pay between men and women, but there have been other cases where things have worsened. As the ability of a society to globalize increases, there will be an increasing number of instances of globalization affecting the gender pay gap. Acker (2006) argues that globalization plays a role in continued gender wage inequality in the US. He finds that globalization has caused American men and women to lose their jobs when their employers decide to outsource their tasks to countries with cheaper labor sources. In terms of gender effects, Acker finds that men often find jobs more quickly than women after they have been laid off, and a significant gap in pay still exists between men and women.

Acker (2006) focuses on the connection between gender pay gap and outsourcing of jobs to foreign countries. From an American perspective, many jobs have been outsourced to countries where blue collared labor was cheaper. When outsourcing occurs, women remain unemployed for longer than men in the same job positions. Furthermore, the situation post-outsourcing in terms of gender pay has not changed. Women are still paid less than men. In poor countries, the strategies employed to lessen the gender pay gap used by wealthy countries do not have the same effect. Using economic development tools like strong trade ties and foreign direct investment do not help to lessen the pay gap between men and women (Oostendorp, 2009). Overall, globalization has changed the outlook of the gender pay gap for countries around the world.

There are, on the other hand, several positive outlooks on the effects of globalization on closing the gender pay gap. In terms of the wage gap within certain occupations in wealthy countries, the wage gap can be narrowed. This can be done with healthy economic development. For instance, having strong trade ties with other countries and foreign investors investing in companies within a rich country may help reduce the gap (Oostendorp, 2009). Trade appears to have a positive effect on the gender pay gap in some countries. Having a strong industry requires many workers, often low skilled. With a higher demand for the products that are produced by these workers, more workers are needed. Therefore, companies will need to hire whoever they can. In this case, women are less easily discriminated against men in terms of pay, because employers need to raise their salary in order to meet their quotas (Black & Brainerd, 2004). Globalization may help solve this issue in the future by encouraging economic development in rich countries and by causing a higher demand for good that are traded between countries.

## 5 Current Policies

Plantenga and Remery (2006) argue that most countries are reluctant to implement new wage-setting policies because, from their perspective, the social partners are responsible for this additional legislation. They also suggest that dissolving occupational rigidities might solve the wage inequality problem. They conclude that it is best to educate the public and raise awareness of the seriousness of the problem. Additionally, they argue that it is essential for the future to formulate well-founded objectives, timetables, and strategies on how to close the gender pay gap by national governments. In this section, we outline the regulatory interventions adopted to mitigate gender pay gap issues.

### 5.1 *European Union*

The European Commission (2013) argues that several regulatory actions, such as the communication on the gender pay gap in 2007, the strategy for equality between women and men of 2010–2015, and the directive on Equal Pay for Work of Equal Value, have been undertaken and are still in progress. National strategies and programs are displayed, making these action plans a precious source for practical approaches. Most importantly, action should change views of gender roles in society.



### 5.1.1 Public Sector

The European Union has been actively trying to prevent wage inequality between men and women since the 1950s. Several important pieces of legislation were passed both at a European and national level. For the purpose of this paper, we decided to focus primarily on the EU policies in order to achieve a reasonable comparison to the United States and their approach to the gender pay gap. European legislation on equal pay dates back as far as the Treaty of Rome in 1957. In Article 157, Member States are required to apply the principle of equal pay for equal work or work of equal value. Over the years the issue of the gender pay gap has been imbedded at a fundamental level of a variety of policies and instruments (European Commission, 2013). The 2006/54/EC Gender Recast Directive (European Commission, 2006b) commissioned by the European Parliament and the Council for the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation is of special importance. Prohibition of discrimination specifically states that “for the same work or for work to which equal value is attributed, direct and indirect discrimination on grounds of sex with regard to all aspects and conditions of remuneration shall be eliminated.”

In 2006, the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions introduced a roadmap for equality between women and men, which focused on six specific aspects. Among others, the point of equal economic independence for women and men dealt with the increased risk of poverty for women due to their higher chance of interrupted careers and subsequently fewer individual pension rights. Reconciliation of private and professional life, equal representation in decision-making as well as the eradication of all forms of gender-based violence were further priority areas of the roadmap. Last, but not least, the elimination of gender stereotypes by raising awareness and the promotion of gender equality in third countries completed the agenda (European Commission, 2006a).

In order to examine possible causes for the gender pay gap, the European Commission initiated a strategy in 2007 that put several programs into action aimed at reducing wage inequality. These included an increase of care services for children and elderly people to reduce career interruptions as well as the elimination of gender stereotypes in education, training, and culture (Foubert, 2010).

In 2010, the Commission suggested a follow-up strategy to the original 2006 roadmap that forms the outline for its work program and focuses on the following key points. First, it continues the economic independence of women by for example undertaking initiatives aimed at promoting female entrepreneurship and self-employment or promoting equality through EU funding. Most importantly, however, the Commission, in cooperation with social partners, is looking for possible ways make pay structures more transparent, provides support to equal pay initiatives in the workplace (i.e. equality labels, charters, and awards), and attempts to convince women to enter into sectors that traditionally did not have a high

representation of women, such as “green” or innovative sectors. In addition, a European Equal Pay Day has been instituted. It was first launched on 5 March 2011 and intends to draw attention to the existing gender wage gap between men and women in most countries and publicize the discrimination that is wage inequality. This date marks a point in the current financial year after a certain amount of days, i.e. that women need to work to achieve the same wages that men earned during the previous year.

Furthermore, this strategy forms the basis for the cooperation between the Commission and other European institutions, member states and other stakeholders as stated in the European Pact for Gender equality (European Commission, 2011). Additional instruments the deal with gender inequality on a European level include the European Strategy for Growth and Jobs or the Structural Funds (European Commission, 2013). In an outlook of how to deal with the gender pay gap in the near future, the Commission will try to focus on monitoring the correct application and enforcement of aspects introduced by the Directive 2006/54/EC as well as providing assistance to all stakeholders in the implementation of said regulations. A report published in December 2013 assesses the actual real-world application of the provisions on equal pay outlined in the Directive mentioned above. Furthermore, it provides a broad summary of the landmark EU case-law on equal pay as well as job classification schemes and national actions.

### **5.1.2 Private Sector**

Despite the fact that the private sector is one of the most important environments in which wage inequalities take place, there is still a lack of effort in translating all the principles and legislations into force. A big issue is represented by the transparency of pay. Whereas the public sector is ahead in providing pay information, the private sector could enable more forwardly application of the equal pay principle. In some Member States of the EU, the national law protects pay information as confidential data and therefore cannot be made available by employers (European Commission, 2013). This bounces the ball back to governmental institutions.

However, the problem in the private sector emerges especially from the accumulation of both the highest and the lowest paid jobs (Rubery, Grimshaw, & Figueiredo, 2002). More individualized payment systems may also contribute to a wider spread of income. Another factor to be noticed is the output of individual bargaining because it rewards “factors that women are less able to supply, such as commitment to work excessively long hours. Where the terms of the pay bargain are collectively regulated, it is more possible to exclude factors from the reward system with which women are less able or willing to comply, but when rewards are individualized, working above and beyond the hours that are manageable in the context of domestic commitments, can be a source of pay discrimination, justified as reward for effort and productivity.” as the Expert Group of the European Commission states.

One may wonder what companies have done to contribute narrowing the gap. The voluntary measures are of little avail up to now. A self-commitment to increase the percentage of women at the top to 30 % until 2015 and 40 % until 2020 has been signed by only 24 enterprises in Europe, even though various parliaments and ministries supported it. The European Chambers of Industry and Commerce does not paint a better picture, as it does not promulgate any statement or opinion concerning the gender pay gap.

There are, however, notable exceptions, such as Total SA, a French-based international oil and energy company, and Allianz SE, a German-based international insurance and asset management company (both listed and included in the Euro Stoxx 50 index). Allianz SE not only offers programs for top female talents but also amply models of work-life-balances. The programs range from a Women Sponsorship Program over career-planning workshops, mentoring and networking events to leadership development programs, all for women. In order to guarantee flexibility to employees, Allianz SE designed work time models that include flextime, part time, vacation, home office, family service and sabbatical. Meanwhile, Total SA tries to engender an equal-pay-image, but misses the mark what is evidenced by following indications: admittedly it mentions the compensation composition by personal and company-wide performance, the average increase of 2,300 female salaries of 3.7 % in 2010 and adorn itself with signatories on agreements on promoting careers for women, but when it comes to the agreement on workplace gender equality at Total S.A. they set up a work council but no indications towards gender pay equality, as stated in the Total European Work Council. What looks like a deceptiveness as well is the companies statement, “Our target is 18 % women senior executives by 2015.”, if you know that 17 % of the senior manager workforce consisted of women in 2013.

It seems that the liberty that the companies have in setting their wages is still used. Many companies set up strategies and models to reach a fair pay over the gender or at least better circumstances for women, even if especially their wage settings are much less transparent for the public. However, there seems to exist enough ‘black sheep/bad apples’ that didn’t develop any instruments to adjust women’s pay. What can be seen as a healthy step in the right direction is the paycheck “Logib D” that was started as a pilot experiment by the German federal ministry for family, seniors, women and youth. Companies can—again voluntarily—review their inner structures, detect wage differentials and develop promising solutions (logib-d).

## **5.2 *United States***

The US has a vast history of implementing solutions to attempt to solve the issue of the gender pay gap. The first notable instance of gender pay gap action from the government came from the Equal Pay Act of 1963. The Act forced American companies to pay women equally for equal work under the law (National Equal

Pay Task Force, 2013). In 2013, the United States celebrated 50 years of the Equal Pay Act and the National Equal Pay Task Force produced an article outlining a number of different strategies that United States is currently undertaking or hopes to undertake in the coming years. The National Equal Pay task force was created to ensure good enforcement of equal pay rules, pushing for gender pay gap policy, and giving funding to agencies who act fairly. The article called for a unified civil rights movement on the issue and explained solutions that utilized further training for employees on the topic. The Task Force advocates for ending discrimination and more transparency in statistics of pay in the workplace.

Unfortunately, the Equal Pay Act of 1963 did not lead to the end of women discrimination. In 2006, arguments were heard by the Supreme Court of the United States in the case of Ledbetter v. Goodyear Tire & Rubber Co. Lilly Ledbetter brought the case against her former employer Goodyear for unfair pay practices. The Supreme Court found that Ledbetter was outside of her 180 days statutory limit for bringing a legal case against her employer. Thus, her case could not be argued (Cornell Law). In order to continue progressing equal pay for women, President Barack Obama signed the Lilly Ledbetter Fair Pay Act into law in 2009. The law reversed the decision of the Supreme Court and made it legal for women to sue their employers if they felt they were being paid unfairly compared to their male coworkers. The Act meant that women could once again sue their employers after the 180 days deadline upheld after the Ledbetter v. Goodyear case (National Equal Pay Task Force, 2013).

### **5.3 Best Practices**

According to the report prepared by the World Economic Forum, the top four countries with the best Gender Gap Index are Iceland, Finland, Norway, and Sweden. In this section, we analyze the virtuous practices that led this part of Europe to the first places in world rankings for the lowest gender pay gap.

#### **5.3.1 Iceland**

In 2004, the District of Akureyri, Iceland (population of 17,000 people) tried to overcome the gender pay gap among its workers (at the time amounting to 8 %) by establishing a committee to review and analyze the structure of wages. The plan contains three steps: first they controlled that each person was paid according to his contract, the agreement with the labor union and the special payments or overtime. Already in this first step, you see that more men ask for overtime compared to women and for some this was in contrast with the family norms of the district. Then, they were cut many extra payments and reduced overtime. The next step was to re-measure the gender pay gap after the changes were implemented and the result was that no longer existed. Then the last step was to make sure that the decisions on

the salaries of employees were centralized and carried out by the same staff; was also established the need to regularly measure the gender pay gap. The gender pay gap does not exist in the district of Akureyri anymore, but the work was hard and there was dissatisfaction and resistance from male employees, despite the support of labor unions. Now the district of Akureyri is leading Iceland in local policies on the gender pay gap.

### **5.3.2 Finland**

In Finland, the government, central labor market organizations, and employers' confederations agreed to the joint action plan called The Equal Pay Programme to tackle the gender pay gap, that at the time was 18 %. The goals of the Equal Pay Programme were to develop a database with statistics specific to gender and sector, increase the use of paternity leave, reduce the gender pay gap to 15 % by 2015, improve the quantity and quality of gender equality plans and pay surveys, reduce the gender-based segregation in the labor market, develop prospects carrier for women and enclose equality and equal pay programs in the corporates statues. In 2010, The Ministry of Social Affairs and Health did a study on equal pay in the workplace to assess the level of achievement of objectives through a series of indicators. In general, the objectives were improved, but have not yet been fully achieved. A major effort has been made by the government, which has provided grants to highly qualified women who worked in the public sector. Grants have also been added, with the name of 'tranches of equal', in order to fill the gap in collective agreements.

### **5.3.3 Norway**

In 2006, the Norwegian Government appointed the Equal Pay Commission aimed at reducing the gender pay gap. This commission is composed of experts in various fields and works closely with a group of ten employers in major Norwegian companies. In 2008, the commission presented its report, analyzing the reasons for this gap and providing explanations for Norway' gender pay gap, amounting to 15 %. In order to understand the gender pay gap the report also highlighted that in Norway the pay gap follows the gender segregated labor market and shows the increases of the gap during women's fertile age as having children has a negative effect on the wages of a woman, this occurs because women take maternity leave when they decide to have children. This may make them less productive. The Norwegian model of collective agreements did not help to reduce the pay gap.

The Equal Pay Commission provides concrete proposals for future strategies that involve the private companies and public sector. The private sector solutions will be proactive actions in the workplace and collecting statistics on payment available to all employees in the workplace. A strong focus on equal pay in collective bargaining negotiations and agreements, with the objective of allocating funds for

low-income groups and dominated by women. In the public sector, proposals are aimed at increasing wages in predominantly female professions, allocated from the national budget. In order to balance family concerns with work concerns the Equal Pay Commission proposes that parental leave be more evenly divided between fathers and mothers, a right for employees who are absent from work due to parental leave of at least an average salary increase and a support for increased recruitment of women in management positions.

The Equal Pay Commission has played an important role in the spread of the problem among the public opinion. After that, the government put equal pay as a priority for the new policy platform. Many disputes and strikes have led to direct intervention by the state to mediate negotiations of the new collective agreements, highly focused on the equal pay, between employees and employers until they reach a wage agreement for better pay for women and a statement on gender equality. In 2010, the government sent a white paper to the parliament to turn into laws the proposal and the strategies outlined by the Equal Pay Commission.

#### **5.3.4 Sweden**

The Swedish Discrimination Act (SFS2008: 567) states “employers and employees must work together to equalize and prevent differences in pay or working conditions that may exist between women and men who do the same work or for work of equal value”. To detect and prevent possible differences employers obligated to conduct a survey every 3 years and then draw up a plan for action to restore equal pay, and report the results of the surveys and outline the appropriate salary adjustments (the action plan on equal pay does not apply to companies with fewer than 25 employees). This practice has its origins in 2006 when the Ministry of Equal Opportunity began a campaign of inspection methods of payments in Swedish companies named ‘One Million inspection program’, which aimed to explore a million workers. Respondents included 600 employers with a total of 750,000 employees (15 % of government agencies and 85 % private companies). When ‘Project One Million Inspection’ ended at the end of 2008, there were notable results in the adjustments of the pays (that affected at least 5,800 employees, of which about 90 % were women) for about 60 % of employers and one-third of employers had taken measures other than pay adjustments to achieve equality of pay. These include professional development for staff, training for managers pay-setting, measures to recruit more women in management positions, and a brake on the growth of wages for men compared to colleagues who had received a wage higher than their current position justified. In the end, the survey also helped bring the attention to other measures of gender equality needed to solve the problem of the gender pay gap; these are called objective and wage differentials are the result of the conditions in working life.

In conclusion, all of these countries have implemented some programs along with governments and other institutions, but the most important factor leading to

greater gender equality is the different way to look at the roles of male and female workers. This can substantially help to decrease the gender pay gap.

## ***5.4 Future Directions***

Despite all of the efforts put forth, American women were still being paid 23 cents less than men for every dollar earned in 2011 (National Equal Pay Task Force, 2013). Thus, US are not done at solving the gender pay gap issue. In 2010, President Obama started a National Equal Pay Task Force. This group is comprised of individuals from multiple agencies of the government. The National Equal Pay task force was created to ensure good enforcement of equal pay rules, pushing for gender pay gap policy, and giving funding to agencies that act fairly. The group calls for a unified civil rights movement on the issue and explained solutions that utilized further training for employees on the topic. The Task Force advocates for ending discrimination and more transparency in statistics of pay in the workplace.

A new bill, aimed at lessening the US gender pay gap, is on the horizon. This bill is called the Paycheck Fairness Act, and outlines a number of different methods to help women achieve fair pay in their jobs. One important part of the Act says that employees can have access to pay data about other employees in the company, so that they are able to assess whether they are being paid equally. The charges against companies who use unequal pay practices would be more strongly reprimanded. Furthermore, wage related data and information about handling unequal pay cases would be more readily available under the Act. The Paycheck Fairness Act has yet to be voted on.

## **6 Proposed Solutions**

Even if the wages, and therefore their inequality, strongly depend on the private sector and the companies, governments and non-profit organizations can still play an important role in tackling the gender pay gap. As the companies would only raise the wages of women up to those of men if they had economical or monetary benefits, the loss of a bad reputation and social ostracism must be greater than the savings of paying women a lower wage. This can only be achieved by raising the public awareness of the gender pay gap. To aim for this goal, we suggest the following strategies and practices.

## **6.1 Public Sector**

Governmental strategies in choosing when to attempt to solve these issues have always been based on legislation and new policies. At a first glance, these directives seem to be effectively designed to tackle the problem, but their practical effectiveness often falls short when compared to the theoretical goals. This can be attributed to lacking incentives or missing sanctions towards the private sector. For instance, the Italian constitution contains a paragraph on equal pay for equal work, which has been almost ignored by companies so far. We believe that governmental regulations and policies alone are insufficient in solving the problem of wage inequality between men and women. We hereby list several approaches that governments could implement in addition to the existing gender equality legislation.

Akin to the Fair Trade Certified label commonly used in the US, the European Union could award certifications to select businesses that achieve a gender wage gap that is below a certain threshold. This would serve in swaying public opinion and facilitate a market selection based on customer choice. Companies that so far have refused to address wage inequality would be forced to adopt changes or risk getting phased out of the market. Furthermore, by requiring companies to file an “equal pay audit”, similar to existing tax audits, the government could help bring the topic of gender wage inequality out of obscurity and draw attention to the issue. This report would disclose the wage structure within the company and enable both current and potential future employees to identify whether they are affected by wage inequality or if they are being paid fairly. This transparency could then be utilized by liaisons of fair pay/equality of gender that act as contact points for employees who feel like they are being paid less than they should be. Based on the comparison of the wages of the person in question to salaries of colleagues in similar position, the liaison officer can give counsel on possible actions. This can be coupled with possible subsidies or tax benefits for those companies that achieve an especially low pay gap to provide further incentives for organizations to take action.

## **6.2 Private Sector**

As mentioned before, the private sector is the setting where gender pay gap issues are more pronounced. Besides the measures that the public sector and non-profit organizations can take to increase the companies’ incentives to pay equal work equally, we propose a way in which a company can cope with the gender pay gap. Generally, a company can build up and install a “gender free zone” policy. By promoting this policy and acting in line with it, the enterprise would create a confidential relationship to his employees and customers (what can be seen as a first step).

Part of the gender-free-policy can promote the birth of HR departments for fairness and advice, that would take care of the compliance of the policy and



receive offenses as well as announces and avenge them. They would also include recruiting encouragement and render assistance for preparing wage negotiations. The probably most important point resides in the transparency of wages. If everyone was able to inform herself about colleagues' wages, women would initiate negotiations more often and more willingly. It would be sufficient—also because of data security—to publish a range of pay scale within the company. Of course it would be better to be also transparent to the public and possible future employees. Advertisements for a vacancy could include information of wage (setting) for example. What is more is to provide a fair base for an equal pay for women in every sense. Not only make wage structures transparent but also provide information and possibilities for women to earn an equal pay.

Overall, there are a lot of instruments available to governments, social partners, and NPOs. The companies can pick the strategies that are most apposite to their cases. Even if equal pay is laid down in law, the practice deviates a lot. The private sector shouldn't hesitate to adopt or create own models in fear of economic bad success. If companies look at the best practices of leading countries they realize quickly that eliminating the gap doesn't mean competitive disadvantage. On the contrary it could turn out to be an outstanding feature if society recognizes that our modern times don't require antiquated gender roles any more. Realistically, will the private sector only begin to take action if equal pay leads to benefits? Therefore all three sectors should work together and implement the policies and strategies that can end inequitable payment.

### **6.3 *Nonprofit Sector***

A number of non-profit organizations are working around the world to help women achieve equal pay in their jobs. For example, Equal Pay Day is a nonprofit organization in Germany that advocates for equal pay between women and men in German companies. The organization works on a city by city basis, holding events and sharing information about closing the gender pay gap. March 20th is their official Equal Pay Day each year where they hold events around the country to shed light upon the issue (Equal Pay Day, 2014). Another example of a similar organization in America is called 9to5. The nonprofit advocates for a number of women's rights issues when it comes to the workplace. One of these issues is equal pay for equal work. The organization calls people to action by asking them to share their stories with others, send letters to Congress members, become educated about equal pay for women, and asks them to stay involved in the issue by signing up for emails from the organization.

## 6.4 *Future Partnerships*

While the non-profit sector plays an important role in narrowing the gender pay gap, we believe that greater effort can be put in the sector to help move the process forward. Non-profits can do more in terms of advocacy, helping to audit corporate equal pay policy, as well as providing a nonprofit seal of approval for businesses with particularly good equal pay practices. Nonprofit organizations sometimes publically advocate for their beliefs. While some nonprofit entities in America are limited in their advocacy abilities, other types of incorporation statuses are possible to advocate more readily (IRS, 2014). Nonprofits should do more to wield their power to make the issue more salient in public. Nonprofit organizations could perhaps stage protests to build visibility for the cause among the general public. Nonprofits could also create a coalition of likeminded nonprofits in order to make a more unified front and to plan events together.

We propose an audit system be put in place in order to look more closely at certain corporations' records when it comes to pay practices. In this way, there could be a method for finding corporations that are acting inappropriately and they can be brought to justice. The non-profit sector could help by working with the government to help determine best practices for this new type of audit. Audit systems should become truly useful tools for narrowing the gender pay gap. Finally, we believe that the nonprofit sector could help by making a seal of approval so that companies could utilize to show that they are a gender free zone. The seal would be associated with any organizations that have passed a test of standards showing that they treat men and women in the same way when it comes to their paychecks. This non-governmental solution has already proved successful in the US with the fair trade movement. Certain non-profit organizations decided their own standards for fair trade, and producers that wish to be considered fair trade can apply for the status with one of the nonprofit organizations that provide such seals. Anyone who sees the seal knows that the organization meets certain standards, like fair payment to producers and humane working conditions, so they can feel comfortable buying the products. This method can be applied to businesses so that anyone looking for a job, male or female, can feel confident knowing that their proposed employer operates with certain equality of pay standards, like equal pay for equal work.

## 7 **Conclusions**

In this paper, we investigate the existence and the evolution of the gender pay gap phenomenon at an international level. Overall, we find that increasing globalization has not significantly affected gender wage inequality, bringing both positive and negative effects. As shown by the best practices adopted by virtuous countries, national governments face the concrete possibility to reduce the gender pay gap. Countries with the lowest pay gap index demonstrate that when gender inequality

becomes a salient issue in society, policy pertaining to gender pay gap not only increases in relevance, but is also better received by citizens. As a result, regulatory interventions benefit from increased effectiveness. We propose a number of possible strategies pertaining to the public, private, and non-profit sectors, such as equal pay audit systems, transparent wage structures, or certifications. Since the private sector is the most affected by gender pay gap issues, particular attention should be devoted to this context. The feeling is that, in this context, efforts will be put in place only when monetary concerns are involved. As the issue of equal pay for equal work becomes more salient in a global perspective and more relevant in everyday businesses, private companies will be forced to do their part to narrow the pay gap. Future research could include testing the possible solutions proposed in this paper.

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