



Highlighting pay differentials between women and men

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Att synliggöra löneskillnader
mellan kvinnor och män

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Foreword

The lack of equality between women and men on the EU labour market manifests itself in many different ways. In all Member States there are substantial differences between the wages paid to women and men. Wage discrimination is a reality. Women and men do not receive equal pay for equal work and work of equal value. One result of the lower wages paid to women is that women enjoy a poorer level of pension security and there are other negative consequences besides.

Gender pay differentials that lack any objective justification are one of the problem areas identified at UN Fourth Conference on Women in Beijing and the Member States have committed themselves to a determined effort to bring about change in this area. The problems have also come in for attention in the EU “employment guidelines”, which state that both the Member States and the social partners must promote equal pay for equal work or work of equal value and must take steps to minimise gender-related pay differentials.

If a higher proportion of women are to choose to perform paid work, secure and equal working conditions are essential. But women and men must also be able to reconcile paid work with family responsibility. Women should not have to choose between paid work and children. In addition to good access to childcare and elderly care, this requires wages that are based on objective criteria and on an impartial evaluation of the work.

To a great extent, wage discrimination is an invisible – indeed, a hidden – problem. Changes of various kinds are needed in statistics on wages so as to make the information on pay differentials a more adequate basis for decisions. The causes of pay differentials need closer study and the resulting knowledge must be used to reveal, correct and prevent discrimination.

This report has been written by a team of experts consisting of Susanne Fransson (School of Economics and Commercial Law at Göteborg University), Lena Johansson (Statistics Sweden) and Lena Svenaeus (Government Offices). The report sheds light on the problems that at present obstruct comparisons between women’s and men’s wages and make it difficult to make gender pay differentials visible, and discusses possible indicators that could be suitable for measuring and analysing changes in the area of pay differentials.

The report has been prepared for use as background material for the informal ministerial meeting on gender equality and social issues that is to take place during the Swedish Presidency of the European Union.

Margareta Winberg
Minister for Gender Equality Affairs

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Points of departure

Women and men in the European Union face completely different situations on the labour market. The specific differences vary from country to country. One common denominator, however, is that women on average are in a worse position than men, both in economic terms and as regards their freedom of choice.

One very tangible indication of lack of equality is when women and men do not receive equal pay for equal work. For the individual concerned, the consequence is not merely less money in her pay packet, and hence a lower economic standard – the very fact of being paid less constitutes a serious insult. The gap between wages grows still broader if we compare work that can be said to be of equal value. It is the women who are the losers, though men who work in undervalued occupations that are dominated by women are also affected. Wage discrimination is a material problem – yet it remains invisible, indeed, hidden. Is this lack of visibility perhaps one significant reason why it has so far proved impossible to find a satisfactory solution to the problem of unjustified gender pay differentials?

The principle of equal pay for women and men is based on Article 141.1 of the EC Treaty (formerly Article 119) and the the Council's Equal Pay Directive 75/117. Evidently, these provisions have been in existence in Community law for a very long time. Yet in spite of this, the available data shows that a wide gap remains

between women's and men's wages in all Member States.

The legislation has therefore still not achieved the necessary impact, even though various types of advice and instructions have been produced – both at the Community level and in individual Member States – on how to put the equal pay principle into practice. In this connection we may note a valuable contribution on the part of the Commission, the publication “A code of practice on the implementation of equal pay for work of equal value”, which gives concrete advice to employers and contracting parties at corporate and sectoral levels. Further, we should add that the social partners have also played an active part in the search for solutions to the problem, using the means at their disposal.

One source of inspiration in the search for new methods for fighting wage discrimination consists of the initiatives that have been taken and the efforts that have been made to identify suitable indicators for measuring developments in the area of gender equality. Until now, attention has focused on two topics: women in the decision-making process and the possibility of reconciling work and family life. Establishing indicators for the issue of gender pay differentials will make it possible to create instruments for monitoring developments in this area too. This will lead to improved knowledge about whether the measures that have been taken to reduce pay differentials have

and between Member States, it is essential that facts about pay thus become visible at the EU level and at national levels. Nevertheless, the decisive factor for a positive change towards a reduced wage gap is that facts about pay also become visible at the workplace and industry level, i.e. at the level at which negotiations on pay are conducted. It is at this level that the analysis of women's and men's wages is needed as a basis for correcting unjustified pay differentials in the case of equal work or work of equal value. It goes without saying that this analysis must then include assessments of what kinds of work performed at any particular workplace are equal or of equal value.

In order to bring about change, it is important to know what it is that has led to pay inequalities. Knowledge about the role of pay systems is essential in this connection. However,

it is not enough in itself. Gender pay differentials must be made visible at the individual level, not just the systemic level. This report therefore discusses the strategies and models that can be used to encourage practical measures to correct pay differentials based on sex.

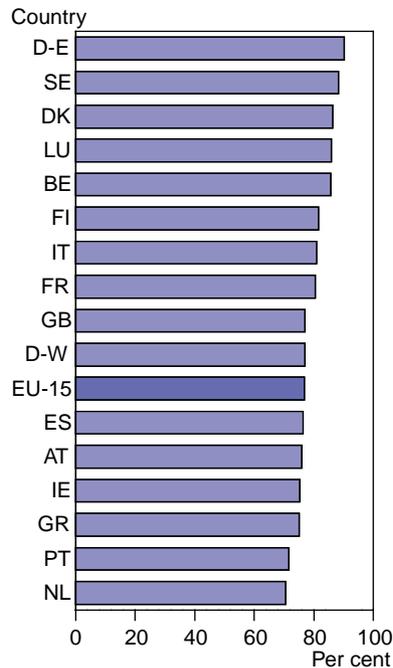
The purpose of this report is to provide a discussion basis for further work on identifying suitable indicators in the area of gender pay differentials. Our point of departure is that indicators should be chosen with a view, firstly, to their potential for encouraging efforts on the part of employers and contracting parties to eliminate unjustified pay differentials in cases of equal work or work of equal value, and secondly, to their capacity to augment the opportunities for individuals to gain what they are entitled to under the equal pay principle.

Different worlds – different values

Pay according to sex

Women on the EU labour market, on average, are paid 74 per cent of men's wages. The difference between women's and men's wages can only be partly explained by objective factors.

Women's wages in per cent of men's 1995
Per hour. Full-time



Source: Structure of Earnings Statistics 1995, Eurostat

The question we have to ask ourselves is this: why are gender-related pay differentials not disappearing? Why do so few men choose to work in the service sector? Why do they choose to work full-time even when they have young children and why do they choose to give their careers priority? What is the cause and what the effect on the labour market today? Why do not women make the same choices?

There are set ideas about women's and men's work and there are studies and

statistics that show the actual state of affairs on the labour market. Generally speaking, women have lower incomes, lower wages and less advantageous terms of employment than men. Whether these differences could constitute sex discrimination in the legal sense of the term depends on whether or not women and men are considered to perform equal work or work of equal value. The statistics available to us are unsatisfactory in many respects. How can we demonstrate the existence of pay differentials in statistical terms? What variables do we need in order to provide an adequate image of the differences in the conditions and terms faced by women and men on the labour market today? If we are to be in a position to improve the position of women on the labour market, we must expose not only the prevailing ideas and myths about women's and men's work but also the differences between the conditions that apply in practice to women and men. Our aim must be to ensure that both women and men are judged according to their own qualifications and not according to their sex. One of the cornerstones of gender equality policy is economic independence, which means a labour market where women and men enjoy economic equality. The concept of economic equality means different things to women and men. A man in a position of economic independence is a man who does not need to work for a living. For women, being in a position of economic independence means being able to support themselves by paid work so that they are not

Austria	AT
Belgium	BE
Denmark	DK
Finland	FI
France	FR
Germany	DE
Former East Germany	D-E
Former West Germany	D-W
Greece	GR
Ireland	IE
Italy	IT
Luxemburg	LU
Netherlands	NL
Portugal	PT
Spain	ES
Sweden	SE
United Kingdom	GB
The European union	EU-15

dependent on a man. Wage discrimination is the material foundation for the subordination of women and for the lack of economic equality.

This report employs the concepts of income and wages. Wages are the remuneration received by an employee for the work she or he performs in a given unit of time, e.g. an hour or a month. Wages are the most important factor in income, which is naturally also affected by the amount of time worked. When we talk about pay differentials between women and men, we base our analysis on a comparison between the wages paid to persons of different sexes for working for a given

unit of time. When pay differentials cannot be explained by any factor other than sex, we may suspect discrimination. Within the EU there are common norms established by Article 141.1 of the EC Treaty and the Equal Pay Directive (75/117). Agreements that incorporate direct or indirect discrimination are in conflict with Community law and can be set aside by national courts of law. This means that the setting of wages has become an issue that does not just concern the parties concluding contracts. Gender pay differentials are not just a matter for negotiations, they are also very much a legal issue.

Then and now

Gender pay differentials need to be seen in a historical perspective. But this does not mean that history can serve to excuse the gender-related pay differentials that exist on the labour market today. The fact that women's work broadly speaking is valued less highly than men's at the present time is a consequence of the norms and values prevailing in our own day. These norms and values can be changed. It is also important to distinguish between the prevailing myths, ideas and ideals relating to women's and men's work, on the one hand, and the reality experienced by women and men in the past and the present, on the other hand.

The duty and right of men to work for pay has never been questioned. Women's (and children's) labour was long seen as part of a unit represented in law by the man (father, husband). For women, a contract of marriage was

an alternative to paid work. It was also in the first instance paid work on the part of married women that was subject to restriction and opposition. In times of high unemployment, women's freedom of choice dwindled – a woman's prime responsibility was considered to lie in looking after her children and husband in the home. Nonetheless, many women, both married and unmarried, did work outside the home, though their work did not show in the statistics. They did not work full-time, they lacked permanent employment contracts and they were not regarded as employees in their own right. They were atypical and were seen as a flexible labour reserve that was available for use in times when male labour was in short supply.

Legal basis

- [Article 141.1 of the EC Treaty](#)
- [Council Directive 75/117/EEC on the approximation of the laws of the Member States relating to the application of the principle of equal pay for men and women.](#)

In all age groups, more men than women are in gainful employment. For both women and men, the activity rates are highest between the ages of 25 and 49.

In the European Union the idea is still current that it is the man who is the family's principal breadwinner, while a woman's income from work is merely supposed to supplement the man's income. For many women, marriage is the primary labour contract. In the Nordic countries, where almost as large a proportion of women are gainfully employed as men, the ideal of the housewife survives in spite of everything, though now in the form of an ideal that women should work part-time. Part-time employment takes different forms in different Member States. The form it takes depends on how the labour market is regulated and what policies are pursued.

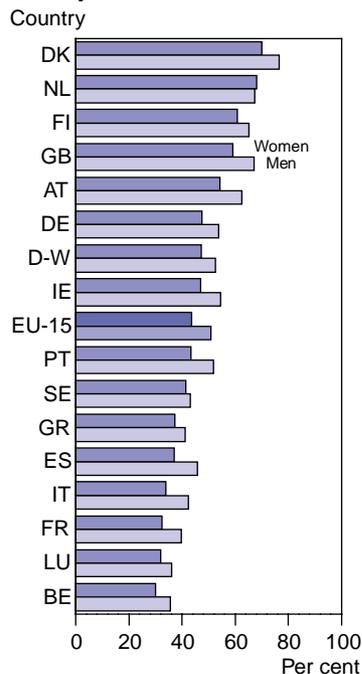
There is a connection between how many hours women and men devote to paid work and the income differentials that arise. Naturally full-time work generates more pay than part-time employment, but over and above this, to a great extent it is part-time employment by women that enables men to work full-time. Another way of expressing this situation is to say that men are still dependent on the reproductive and unremunerated work performed by women. The question of shorter working hours – a new norm for full-time work – is very much a gender equality issue. A fundamental prerequisite for economic equality is that work – both paid work and unremunerated work – is shared equally between women and men. The necessary conditions must be created to allow both women and men to

What is meant by "economic activity rate" is the proportion of the population in the labour force, expressed in per cent.

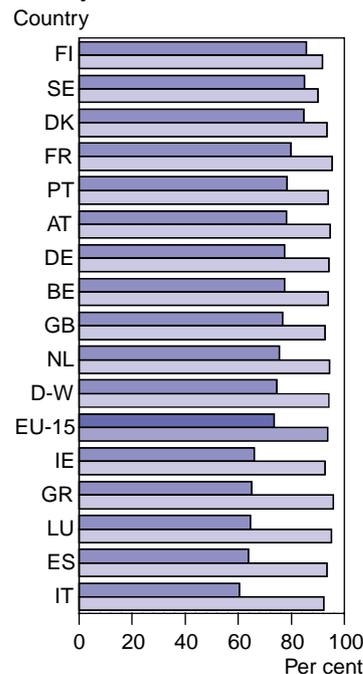
The labour market today

Economic activity rate 1999

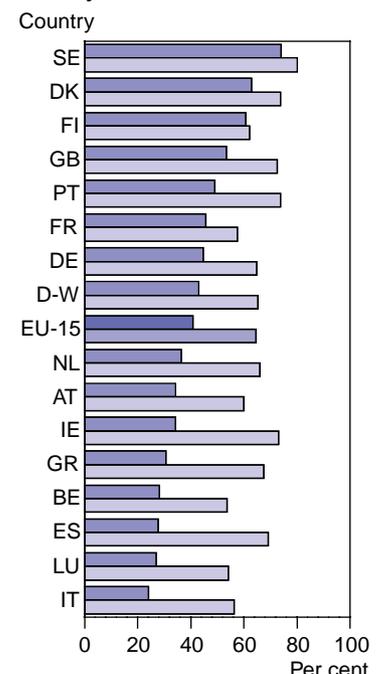
15–24 years



25–49 years



50–64 years



Name of countries, see page 7.

Source: European Labour Force Survey 1999, Eurostat

reconcile parenting with paid employment. One prerequisite for improving the position of women on the labour market is improved coordination between family policy and employment policy.

The statistics on part-time employment in the different Member States show that the proportion of women working part-time is about the same in all age groups. When we look at the men, we see a different picture. They work part-time when they are young. When women and men in the EU were asked why they work part-time, the most common answer was that they didn't want full-time employment. The study in question does not provide any direct indication of whether this reply reflected a free choice or circumstances such as a lack

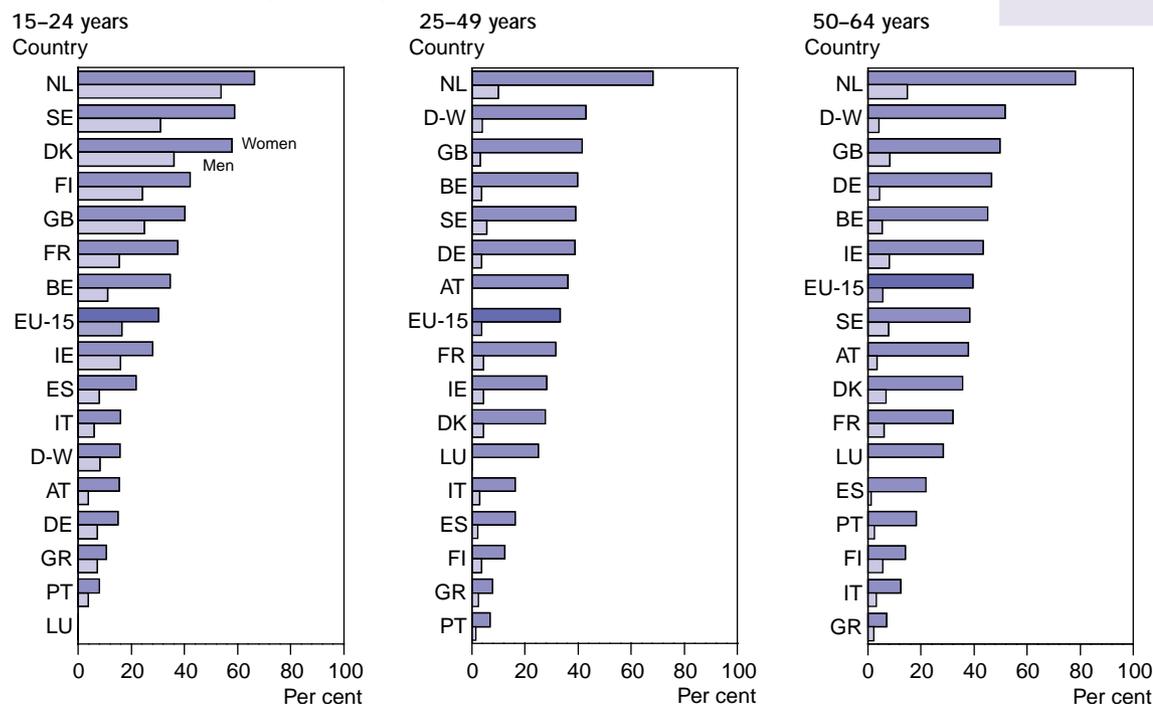
of daycare provision for children, the division of labour between the sexes or the organisation of the labour market.

In a historical perspective, the labour market is characterised by a division of labour between the sexes. The rigidity of the gender division of labour has varied and the gender identification of working duties has been subject to change, but there has always been some set idea about appropriate activities for women and men. These ideas have been suspended in periods of rationalisation, for example, during the initial expansive phase of the industrial era and during the post-war period of rationalisation in the mining and manufacturing sector. Low wages and flexibility in their employment

A fundamental prerequisite for economic equality is that work – both paid work and unpaid work – is shared equally between women and men.

Part-time employees by age 1999

Proportion (%) of all employees working part-time



Source: European Labour Force Survey 1999, Eurostat

Name of countries, see page 7.

relationships also enabled women to compete with men at such times. In their initial stages, these periods promoted integration, but they have had no very marked impact on the hierarchy pervading the gender division of labour. Men have retained their generally superior, senior positions relative to women.

Now we have entered a new phase of rationalisation, accompanied by a growing shortage of labour. In the first decade of the 21st century, women still enjoy a competitive advantage in the shape of their low wages and flexibility, but a new element has entered the picture: the level of education achieved by women and their skills have increased.

With competition growing where quality is concerned, the hierarchy in the gender division of labour also becomes open to question. Furthermore, we can observe that gender pay differentials have narrowed in younger age groups, which may be connected with the fact that young men now have a lower level of educational attainment than young women.

There is an extensive body of evidence to show that over a long period of time, women's work has been valued half as highly as men's. We find this norm in religious texts, in medieval laws, in contract regulations and in early collective agreements. This norm was not determined by history but was established by people, and it has moreover been subject to far-reaching change. In an extended time-frame, the difference between women's and men's wages has diminished. The legal norm that now applies is that women's labour is worth the same as men's when they perform work that is equal or of equal value. Nevertheless, contracts are still concluded on the labour market that violate this new norm. Different values are still given to women's and men's labour and there is not a single Member State in the EU where women's wages have ever exceeded 87 per cent of men's (Structure of Earnings Statistics 1995).

So what are conditions like on the labour market today? What is it that continues to support the gender-related pay differentials?

Sex segregation on the labour market

The European labour market is marked in various ways by ideas about gender roles. If we take the concept of the "worker", to begin with, this concept has clearly male associations. Where the free mobility of persons is concerned, a common and broadly defined concept of the worker applies throughout the EU. In other respects, it is the provisions of the national

legislation that decide who is to be regarded as a worker and hence who is protected by Community labour law. This means that there is no uniform concept of the worker. In many cases, the legislation and collective agreements in the different Member States exclude persons who are not regarded as workers by the national legislation. Many women in the EU are not

covered by the concept of the worker, which lends legitimacy to the practice of treating them less favourably than those who are considered to be workers. The norm has been the white, male industrial worker in full-time employment. Women who work part-time, have fixed-term contracts or are on maternity leave are atypical. Departures from the norm have led to unfavourable treatment by employers. In the EU, this state of affairs has led to the adoption of a number of directives aimed at counteracting discrimination for the reasons indicated above. We now have directives that provide protection to workers on parental leave (96/34), part-time employees (97/81) and workers on fixed-term contracts (99/70). These directives have been passed within the framework of the social dialogue and have two purposes: to boost the employment rate among women and to state minimum terms for atypical employment relationships.

The European labour market is also characterised by the keeping apart of the sexes as a principle. The labour market is segregated by sex and this segregation is both vertical and horizontal. Women and men quite simply perform different types of working tasks. We may talk about occupational segregation or a gender identification of different types of work. Different indices can be used to measure the degree of occupational segregation. The difficulty consists in distinguishing between changes in vertical and changes in horizontal segregation. Another known problem is that the classification of occupations dominated by women is less detailed than the occupational classification in predominantly male occupations. This

makes it difficult to make comparisons.

The horizontal segregation also has a sectoral aspect. In the Nordic countries, men work mainly in the private part of the labour market, whereas women's work is divided more evenly between the private and public sectors. The lack of men in the public sector means that work in this sector is very much dominated by women. The entire European labour market is characterised by a shortage of men in the service sector.

There is also clear vertical segregation on the European labour market. The relation between women and men in the workplace is hierarchical: to a great extent, women are subordinate to men. A common image used to describe this vertical sex segregation is the glass ceiling, which acts as an invisible barrier to women's prospects of attaining higher positions and appointments. In practice, men choose men.

Broadly speaking, wage levels are higher in the part of the labour market dominated by men than in the part where women dominate. The same type of work may be valued differently, depending on the part of the labour market where it is performed. Fringe benefits are more common in men's wage contracts than in women's. Because of the hierarchical gender division of labour, women's employment contracts rarely include benefits such as company cars. These types of benefits should be included in the concept of wages and thus add to actual gender pay differentials. Benefits are not always visible as wages in the statistics.

[Council Directive 96/34/EC](#) on the framework agreement on parental leave concluded by UNICE, CEEP and the ETUC

[Council Directive 97/81/EC](#) concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC

[Council Directive 99/70/EC](#) concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP

Economic theories and different concepts of discrimination

The sex segregation of the labour market is a consequence of the choices made by women and men in their various capacities as employees, employers and participants in a number of different relationships. Women and men enter into different gender contracts. These contracts are negotiated from different points of departure and on the basis of different ideas about what women and men are and what they ought to do. The actual freedom of choice is therefore questionable. How, then, can we explain the fact that the contracts are so dissimilar? There are those who believe that it is a matter of the “natural order” of things. It is “natural” that women and men make different choices, since their biological identity means they have different qualities and tasks. This explanation is intensely conservative and excludes the possibility of changes in existing conditions.

Various economic theories have also been used to explain the origin of sex segregation on the labour market and gender pay differentials. One theory proceeds from the basic idea that every person has some form of *human capital*. Women and men may have different types of human capital, depending, for example, on their level of educational attainment. Women and men choose to use their capital in different ways, and they are assumed to act rationally in economic terms, as individuals, employers and employees. Men choose to pursue their careers, while women choose to work part-time in jobs that allow scope for periods when they take a break from

paid work. The human capital theory is based on broad assumptions and fails to take into account the fact that all decisions are made in a normative context where there are set ideas about what women and men ought to do. Women and men cannot be studied as autonomous individuals; the different conditions they face in their working life must be put in a material and social context.

Sex segregation and pay differentials can also be studied using various theories and hypotheses about discrimination. Differences in both the demand for and supply of women’s and men’s labour can be studied. The theory of *monopsony* argues that where the employer is in a monopoly position, the lack of competition leads to a low price for labour. In the public sector in the Nordic countries there are just a few employers employing and paying for labour. The education, childcare and health care systems dominate this part of the labour market in terms of size and as price makers. According to this theory, a low price can be set since this part of the public sector is characterised by extreme sex segregation. The supply of female labour in the public sector is large and a monopsonistic employer may pay men more than women, since there is greater demand for male labour.

A second theory of discrimination is known as *crowding*. Here the fundamental assumption is that an excess supply of female labour leads to low wages wherever it occurs. Research based on this theory shows that the

The human capital theory

Women and men choose to use their resources in different ways.

The monopsony theory

A lack of competition leads to lower wages.

The crowding theory

Excess supply leads to low wages.

crowding of women in an occupation leads to reduced wages – to a “gender deduction”. Even men who work in occupations where women predominate are affected by gender deductions. Indeed, an excessive supply of female workers actually has larger negative effects on men’s wages than on women’s wages. Conversely, the crowding of men in an occupation or a section of the labour market leads to higher wages, though primarily for men.

Various concepts of discrimination are used in describing and analysing conditions on the labour market. The term *direct discrimination* is used to describe the situation where different wages are paid for the same work. The term *distribution discrimination* describes the fact that women and men, in spite of having the same potential, work in different occupations because positive discrimination is exercised towards men when vacancies are filled and promotions are made. The term *value discrimination* means that wages are lower in industries and occupations where women predominate. Work performed by women is devalued in our culture. Another concept used is *statistical discrimination*. By definition, statistical discrimination consists of inductive arguments. All women are expected to have children, and consequently employing female labour is perceived as more dangerous and risky than employing male labour.

Even though not all women have children, the decisions made by employers are marked by such expectations.

The theories and concepts described above are used by researchers in different disciplines to explain why women and men face different conditions on the labour market. However, the theories are not unproblematic. Some researchers, moreover, have criticised these theories on the grounds that they reveal a lack of insight into the significance of the sex a person belongs to. Economic theories and methods can be used to reduce the discrimination variable to a minimum – “that’s the end of economic theory”. The question that then remains is: how do we explain the remaining gender pay differential that we are always left with? By combining different theories and hypotheses about discrimination, a clearer picture of the differences in the conditions faced by women and men on the labour market can be made to emerge. In order to establish that these differences constitute sex discrimination, legal terms such as *direct* and *indirect discrimination* must be used. These concepts have a more narrowly defined content than the concepts that are used in making the different conditions faced by women and men visible and analysing them. Legal concepts, moreover, merely express the legal norm.

What can statistics reveal?

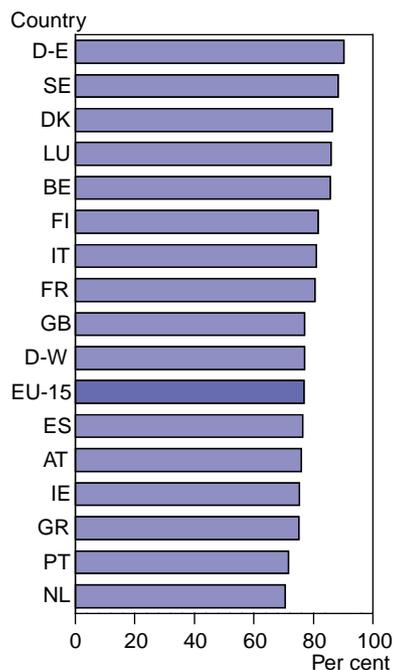
Statistics are facts that describe reality. The limits for statistics are always set by the facts that are available and that have been collected. A complete picture requires material giving complete coverage of the reality that is to be described. Knowledge about women's and men's wages therefore requires information about all the factors that affect wages, i.e. the reality experienced by women and men in their life at work and as members of society. Achieving coverage this complete may appear to be too difficult and too expensive a process at the present day. However, the statistics can be improved in many respects on the way towards this final goal.

The figures below show women's wages as a percentage of men's wages.

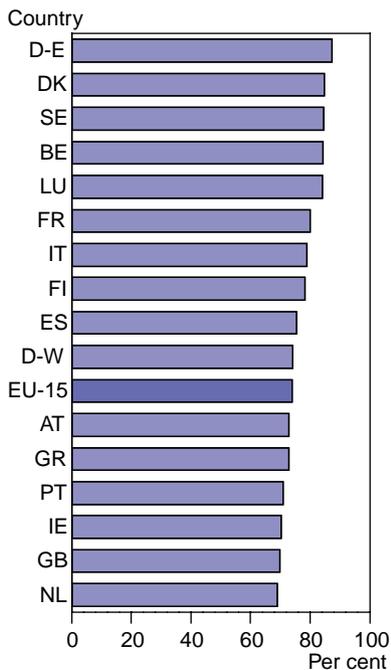
The source for the figures is provided by the harmonised wage statistics produced in all Member States of the Union, the *Structure of Earnings Statistics (SES) 1995*. The three figures show women's wages as a percentage of men's wages, illustrating the different results in the Union as a whole and in each individual Member State. The concept of wages used in the first figure is hourly pay. Using this concept, women's wages in the Union as a whole are 77 per cent of men's wages. The second figure uses monthly pay as its concept of wages, and the resulting pay differential is 74 per cent. The third figure uses estimated annual pay and shows a pay differential of 73 per cent. From this point on, monthly pay will be used.

Women's wages in per cent of men's 1995

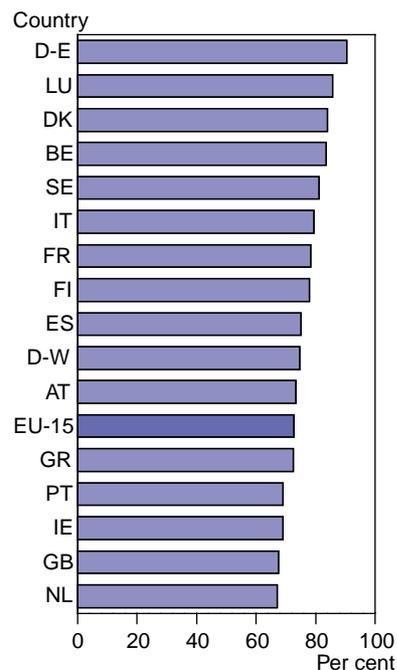
Per hour. Full-time



Per month. Full-time



Per year. Full-time and part-time



Name of countries, see page 7.

Source: European Labour Force Survey 1999, Eurostat

Some concepts

Pay differentials are differences between women's and men's wages, based on average wages. The differences are expressed by showing women's wages as a percentage of men's wages. It is not completely obvious that this is the appropriate measure to use. One alternative is the inverse relation, i.e. men's wages as a percentage of women's wages. The first alternative may be the most suitable for use, since in visual representations it makes it easier to perceive exceptions to the general pattern – i.e., that women on average have lower wages than men. Moreover, it is used by general convention.

By expressing pay differentials as a relation between women's and men's wages throughout, we avoid the necessity of using the nominal exchange rates in the individual countries or the Union.

Wage levels are stated in ECU.

What is meant by **equal sex distribution** in this connection is that the proportions of women and men in a given group are between 40 and 60 per cent. If more than 60 per cent of the individuals in a certain group are women, that group is **dominated by women**, and if more than 60 per cent are men the group is **dominated by men**.

On average, women are paid about 75 per cent of men's wages. There are many explanations for this substantial difference. These include differences between women and men in their distribution by age, level of education and occupation. In the following pages, we will discuss a number of the factors

that affect wages and gender pay differentials. The examples that we will use are taken primarily from SES. When there is no data in SES to illustrate the point under discussion, we will provide examples from the Structure of Earnings Statistics in Sweden for 1998.

On average, women are paid about 75 per cent of men's wages.

Age and education as explanations for pay differentials

Just over a third of all women in full-time employment and nearly a quarter of all men in full-time employment are under the age of 30. In this category,

women are paid at least 80 per cent of men's wages. In older age groups, pay differentials increase and women earn about 70 per cent of men's wages.

Women's wages in per cent of men's by economic activity and age in EU-15 1995

Full-time

Mining and manufacturing		Part of services ¹		Mining and manufacturing and part of services ¹	
Age		Age		Age	
Under 20	81	Under 20	99	Under 20	89
20–24	80	20–24	95	20–24	86
25–29	81	25–29	89	25–29	85
30–44	73	30–44	80	30–44	76
45–54	71	45–54	73	45–54	72
55 and over	72	55 and over	75	55 and over	72
Total	72	Total	77	Total	74

1) The public sector part of services is not included.
Source: Structure of Earnings Statistics 1995, Eurostat

Investment in education usually yields higher wages.

The question is whether it also affects gender pay differentials.

Employees by level of education and women's wages in per cent of men's in EU-15 1995

Percentage distribution and sex distribution (%). Full-time

Level of education	Percentage distribution		Sex distribution		Women's wages in % of men's
	Women	Men	Women	Men	
First stage of secondary or lower	41	36	31	69	78
Upper secondary	43	47	26	74	77
Higher education	15	17	26	74	71
Total	100	100	28	72	74

Source: Structure of Earnings Statistics 1995, Eurostat

The pay differentials increase as the level of education rises.

A larger proportion of women than of men lack upper secondary education. 43 per cent of the women and 47 per cent of the men have upper secondary education as their highest level of education. A slightly larger proportion of men than women have had post-secondary education. At the two higher levels of education, the sex distribution is very unequal: at each of these two levels, a quarter of the full-time employees are women and three quarters are men.

We note that the pay differentials increase as the level of education rises. Women earn a maximum of 78 per cent of men's wages, and this figure is observed at the lowest educational level. What we mean by educational level is the level of formal education an individual has completed. Expertise acquired in other ways, e.g. in-service training, remains invisible in the statistics.

In the previous section we saw that age was one possible explanation for pay differentials. Here we have seen that education also explains part of the difference. A combination of these two variables ought to reduce the pay differentials still further.

An example from the Swedish wage statistics

The Swedish wage statistics may serve as an illustration of how age and educational level affect pay differentials in Sweden¹.

Women are paid 82 per cent of men's wages. The employees are divided into four age groups and three educational levels. If women and men had had the same age distribution, the pay differential would have diminished to 84 per cent. By combining age and education we hold two factors constant that are significant in explaining pay differentials. This then makes the categories studied more homogeneous.

1) In Sweden, Statistics Sweden conducts a comprehensive annual study of employees' wages. The figures in this publication are taken from the 1998 survey.

Women's wages in per cent of men's by age and level of education

Age	Level of education			
	First stage of secondary or lower	Upper secondary	Higher education	All levels of education
18–24	93	91	92	92
25–29	89	89	88	89
30–39	87	85	79	84
40–64	85	79	72	79
Total, all age groups	85	84	76	82

Source: Structure of Earnings Statistics in Sweden 1998, Statistics Sweden

In each age group the pay differentials increase as the level of education rises and at each level of education the pay differentials increase with age. If women and men had had the same distribution over age and educational level, women would have been paid 83 per cent of men's wages. The increasing pay differential is due to the fact that a larger proportion of women than men have had post-secondary education.

Substantial pay differentials still remain. Obviously there are more factors that determine wages that statistics can and should take into account.

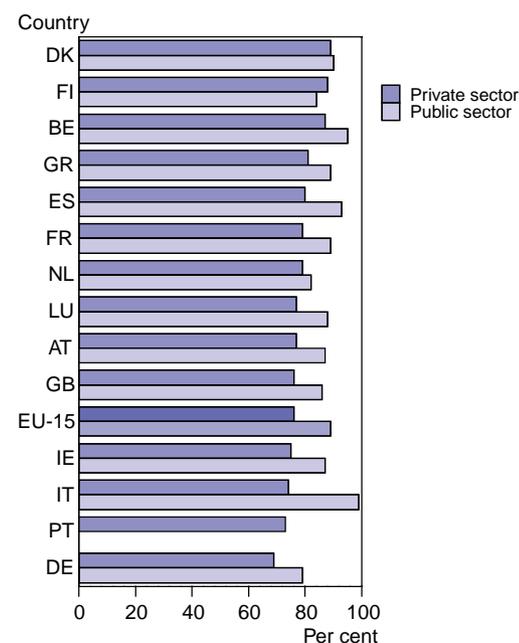
At each level of education the pay differentials increase with age.

Pay differentials in the private and public sectors

Sex segregation on the labour market has been discussed earlier in this report. Just how great the segregation on the labour market is is best revealed by numbers. EU statistics on wages have serious deficiencies in terms of coverage. The statistics fail to include information on all employees. Among the shortcomings are a lack of information on whether people work in the public or private sector and information on certain economic activities. If we are to obtain a better picture of the labour market as a whole, the statistical data needs to be improved in these respects.

Information about employees in the private and public sectors can be obtained from the European Community Household Panel (ECHP) 1996. According to this source, women in the whole territory of the EU earn 83 per cent of men's wages. The figure for the private sector is 76 per cent and for the public sector 86 per cent. The purpose of the ECHP is to measure income distribution among individuals. The pay variable in the survey does not provide the degree of reliability we desire.

Women's wages in per cent of men's in private and public sectors 1996
Net hourly earnings



Name of countries, see page 7.

Source: European Community Household Panel 1996, Eurostat

As the figure shows, gender pay differentials are greater in the private sector than in the public sector in every country except Finland.

Women and men in different industries

There is obvious sex segregation in terms of industries. The table below shows the distribution of employees by industry and gender pay differentials.

Employees aged 15–64 by industry 1999 and women's wages in per cent of men's 1995

Percentage distribution, numbers in 1000's and sex distribution (%)

Industry	Percentage distribution		Sex distribution		Women's wages in % of men's ¹
	Women	Men	Women	Men	
Private households with employed persons	2	0 ²	91	9	.. ³
Health and social work	18	4	79	21	..
Education	12	5	67	33	..
Hotels and restaurants	4	3	57	43	84
Other community, social, personal activities	5	3	54	46	..
Wholesale and retail trade, repairs	15	12	50	50	74
Financial intermediation	4	3	49	51	74
Real estate, renting and business activities	9	7	49	51	73
Extra-territorial organisations and bodies	0	0	42	58	..
Public administration and defence; compulsory social security	8	9	42	58	..
Agriculture, hunting and forestry	1	2	31	69	..
Manufacturing	14	29	29	71	70
Transport, storage and communication	4	8	27	73	86
Electricity, gas and water supply	0	1	20	80	80
Fishing	0	0	11	89	..
Mining and quarrying	0	1	11	89	81
Construction	1	12	9	91	85
Total, per cent	100	100	44	56	..
Total, number	57 574	71 972			

1) Full-time. 2) Less than 0.5. 3) Data not available.

Source: European Labour Force Survey 1999 and Structure of Earnings Statistics 1995, Eurostat

33 per cent of all women and 9 per cent of all men work in the three industries *where women dominate*. None of these industries is included in the earnings statistics! The seven industries with *equal sex distribution* have 46 per cent of all women and 38 per cent of all men. Four of these industries are represented in the earnings statistics. The remaining seven industries are *dominated by men*, and have 21 per cent of all women and 53 per cent of all men. Information on wages is lacking for only two of these

industries. This means that we have no statistics on wages for 47 per cent of the women and 24 per cent of the men.

The smallest pay differentials are found in *transport, storage and communication* (86 per cent) and *construction* (85 per cent). These two industries combined have 5 per cent of all women and 20 per cent of all men.

The industries in the table are ranked by the proportion of women in each industry. The horizontal lines mark the boundaries between industries where women dominate and industries with equal sex distribution, and between the industries with equal sex distribution and industries dominated by men.

The figures in the tables are rounded. The totals are the sums of exact (unrounded) figures.

The widest pay differentials are found in *manufacturing* (70 per cent), *real estate, renting and business activities* (73 per cent), *wholesale and retail trade; repairs* (74 per cent) and *financial intermediation* (74 per cent). 42 per cent of all women and 51 per cent of all men work in these branches of industry.

One conclusion that can be drawn from the table is that the labour

market for women is virtually invisible in wage statistics. It is the men's labour market that is shown.

A second conclusion is that in the branches of industry studied, there is a gender pay differential in the order of 14–30 per cent. Both age and education can serve to explain this in part, but the different occupations chosen by women and men are also a factor.

Occupation – an important explanation for pay differentials

The more detail is given in describing occupations, the more obvious the segregation on the labour market becomes. The occupational classification used in SES is ISCO-88(COM). This is the EU variant of the International Standard Classification of Occupations, ISCO-88, which was approved at an international statisticians' conference on the labour market arranged by the International Labour Organisation (ILO).

The classification builds on two fundamental criteria: firstly, the *type of work*, i.e. the tasks and duties that a person performs or is supposed to perform, and secondly, the *qualifications* that are normally required to carry out the work. Qualifications in turn, defined as the knowledge and skills needed to perform the tasks associated with a particular employment, have two dimensions, the level of qualifications and area of specialisation. The level of qualifications is used chiefly as a criterion of equality in classifying workers at the highest level, while area of specialisation is often the guideline at lower levels. For the sake of comparison between different

countries, four broad levels of qualification have been delineated. The level of qualifications used as a point of orientation does not mean that the relevant knowledge and skills have to be acquired by means of formal education and training. They can equally well have been gained by work experience. What is involved are the qualifications needed for the work in question, not the formal qualifications that the employee performing the work actually possesses.

The most detailed level of classification is four-digit. In SES the two-digit level is used. The occupational classification used in Sweden is the Swedish Standard Classification of Occupations 1996 (SSYK), which departs from ISCO-88(COM) in some minor respects. In Swedish wage statistics, only the three-digit level is currently used. The following example shows the structure of the occupational classification in both ISCO-88(COM) and SSYK, and provides pay ratios in the categories where information is available. The example is from the 1998 Swedish wage statistics.

Classification Structure ISCO-88(COM)

- 10 major groups
- 28 sub-major groups
- 116 minor groups
- 390 unit groups

Women's wages in per cent of men's in some occupational groups

Code	Text	Women's wages in % of men's
Major group (one-digit level)		
Sub-major group (two-digit level)		
Minor group (three-digit level)		
Unit group (four-digit level)		
2	Professionals	80
21	Physical, mathematical and engineering science professionals	89
22	Life science and health professionals	82
221	Life science professionals	86
2211	Biologists and related professionals	..
2212	Pharmacologists and related professionals	..
2213	Agronomists and horticulturists	..
2214	Forestry professionals	..
222	Health professionals (except nursing)	81
2221	Medical doctors	..
2222	Dentists	..
2223	Veterinarians	..
2224	Pharmacists	..
2225	Speech therapists	..
2229	Health professionals not elsewhere classified	..

.. Data not available.

This example shows how important it is to collect and present data on wages by occupation at as detailed a level as possible. The different wages paid to individuals and the different occupational distributions of women and men (in individual occupations, as

nearly as possible) affect the average wages in each occupational group.

The table below presents the distribution of women and men and the pay differentials between them at the one-digit level in ISCO-88(COM), in the European Union as a whole.

Employees by occupation (major group) 1995 and women's wages in per cent of men's 1995

Percentage distribution, numbers in 1000's and sex distribution (%)

Occupation (major group)	Percentage distribution		Sex distribution		Women's wages in % of men's ¹
	Women	Men	Women	Men	
1 Legislators, senior officials and managers	4	7	29	71	70
2 Professionals	14	12	47	53	76
3 Technicians and associate professionals	18	13	52	48	79
4 Clerks	23	9	68	32	81
5 Service workers and shop and market sales workers	21	8	68	32	82
6 Skilled agricultural and fishery workers	1	2	25	75	..
7 Craft and related trades workers	4	24	11	89	57
8 Plant and machine operators and assemblers	4	14	18	82	72
9 Elementary occupations	11	8	52	48	83
0 Armed forces	..	1	..	100	..
Total, per cent	100	100	44	56	..
Total, number	57 752	72 263			

1) Full-time. .. Data not available.

Source: European Labour Force Survey 1999, and Structure of Earnings Statistics 1995, Eurostat

Supervisory functions must be made visible.

The first occupational field shown, *legislators, senior officials and managers*, is dominated by men. This group is made up of top managers and officials, and the women in this group earn 70 per cent of men's wage.

In occupational fields 2, *professionals*, and 3, *technicians and associate professionals*, the women earn 76 and 79 per cent respectively of men's wages. In these occupational fields the sex distribution is equal.

Occupational fields 4 and 5, then, *clerks and service workers and shop and market sales workers* respectively, are dominated by women. The work to be performed does not require higher education. The women in these occupational fields earn 81 and 82 per cent respectively of men's wages.

Occupational fields 7, *craft and related trades workers*, and 8, *plant and machine operators and assemblers*, are heavily dominated by men. The pay differentials in occupational field 7 are very wide: women earn 57 per cent of the male wage. In occupational field 8 the women earn 72 per cent of men's wages.

In the final group, 9, *elementary occupations*, the sex distribution is equal. The women earn 83 per cent of men's wage.

It is clear that women and men perform different types of work. The differences between the working

duties they perform only become visible when data is collected and presented at a very detailed level. If this were done, a substantial part of the pay differential would be reduced still further. In SES data on individuals is collected at the two-digit level instead of the most detailed, four-digit level.

Intermediate level managers, i.e. supervisors and foremen, do not appear in the occupational classification used in SES or in the regular wage statistics in certain individual countries. Information about these employees is reported in connection with production. One way of tackling this problem is to request information as to whether or not an individual has a supervisory function, in addition to information on her or his occupation. Responsibility in the workplace is an important factor affecting wages and it must therefore be made visible.

In conclusion, the facts demonstrate that sex segregation on the labour market leads to an unequal distribution of women and men in different sectors, branches of industry and occupations. A higher proportion of men than of women have senior positions. Women take care of people while men take care of machines. Naturally, women and men do appear in the same occupations, but they are not represented equally.

Part-time employment

Part-time employment is more common among women than among men. In SES part-time employees are often excluded when statistics on wages are reported. The table below shows the proportions of women and men working part-time, by age, in the Union as a whole.

Part-time employees by age 1999
Proportion (%) of all employees in age group

Age	Women	Men
15–24	30	16
25–49	33	4
50–64	38	6
Total	33	6

Source: European Labour Force Survey 1999, Eurostat

A third of all women and six per cent of all men in the EU countries are in part-time employment. In some activities, women employed part-time make up about 40 per cent of all employees. If these groups are excluded from the published pay figures, then this obviously has an impact on the wage levels and pay differentials in many of the reported categories. The low proportion of part-time employment among men has a relatively minor effect on wages.

In this report we will not include information from SES on the wages paid to part-time employees, since there are many unresolved methodological problems in converting the wages of part-time employees into full-time wages.

In most countries, the wages paid to full-time employees are higher than those paid to part-time employees, converted to full-time equivalents; this applies both to women and to men. The gender pay differential, however, is narrower among part-time than full-time employees.

It is essential that the same method be used in all countries for converting part-time into full-time wages. The monthly pay must be equivalent to a full-time wage, where each individual (each contract) is accorded equal weight. This can only be achieved if information exists and is available about the working hours of part-time employees relative to the working hours of full-time employees.

It is essential that the same method be used in all countries for converting part-time into full-time wages.

Part-time employees must be included in wage statistics.

Occupational categories in the Swedish statistics on wages

We will now take some of the factors that we have described so far in our attempt to explain and eliminate gender pay differentials, and apply them to Swedish statistics on wages.

There are just over one hundred occupational categories in ISCO-88(COM); from these we have selected five for study. The first table shows how many women and men there are in these five categories and the pay differentials.

Employees by some occupational groups (minor group) in Sweden 1998

Percentage distribution (%), number in 1000's and sex distribution (%)

Occupation (minor group)	Percentage distribution		Sex distribution		Women's wages in % of men's
	Women	Men	Women	Men	
241 Business professionals	2	2	47	53	77
311 Physical and engineering science technicians	1	6	14	86	87
413 Material-recording and transport clerks	1	3	23	77	96
513 Personal care and related workers	22	2	90	10	98
828 Assemblers	1	3	20	80	94
Total, per cent	27	16	49	51	82
Total ¹ , number	1 614	1 657			

1) All employees.

Source: Structure of Earnings Statistics in Sweden 1998, Statistics Sweden

The pay differentials vary from 77 to 98 per cent. The gap is narrowest among *personal care and related workers*. This is the largest occupational group on the Swedish labour market and is moreover heavily dominated by women.

influencing the pay differential. The method used keeps the factors of age, education, sector (public/private) and working hours constant. By working hours we mean here whether an individual works full-time or part-time.

We can use regression analysis to estimate the impact of the factors

Pay differentials before and after regression analysis

Women's wages in per cent of men's

Occupation (minor group)	Women's wages in % of men's		Explanatory power of model (%)
	Before analysis	After analysis	
241 Business professionals	77	84	27
311 Physical and engineering science technicians	87	90	25
413 Material-recording and transport clerks	96	96	15
513 Personal care and related workers	98	96	13
828 Assemblers	94	93	8

Source: Structure of Earnings Statistics in Sweden 1998, Statistics Sweden

Explanatory power = coefficient of determination

The table should be read as follows. In the group *business professionals* women's wages are 77 per cent of men's wages. According to the model we have used, women in this group earn 84 per cent of the wages paid to men who are the same age, have an equal educational level, work in the same sector and have the same working hours.

The explanatory power of the model is the measure that tells us how good the model is. In the groups studied, the model explains between 8 and 27 per cent of the pay differential. This means that more factors than those used here affect wages. If every individual occupation could be described at a detailed level so as to reveal the different working duties performed by both women and men, the pay differentials would probably diminish.

The remaining pay differentials can probably be partly explained by other

factors, but an element of the pay differential will still remain unexplained.

Differences in wage dispersion

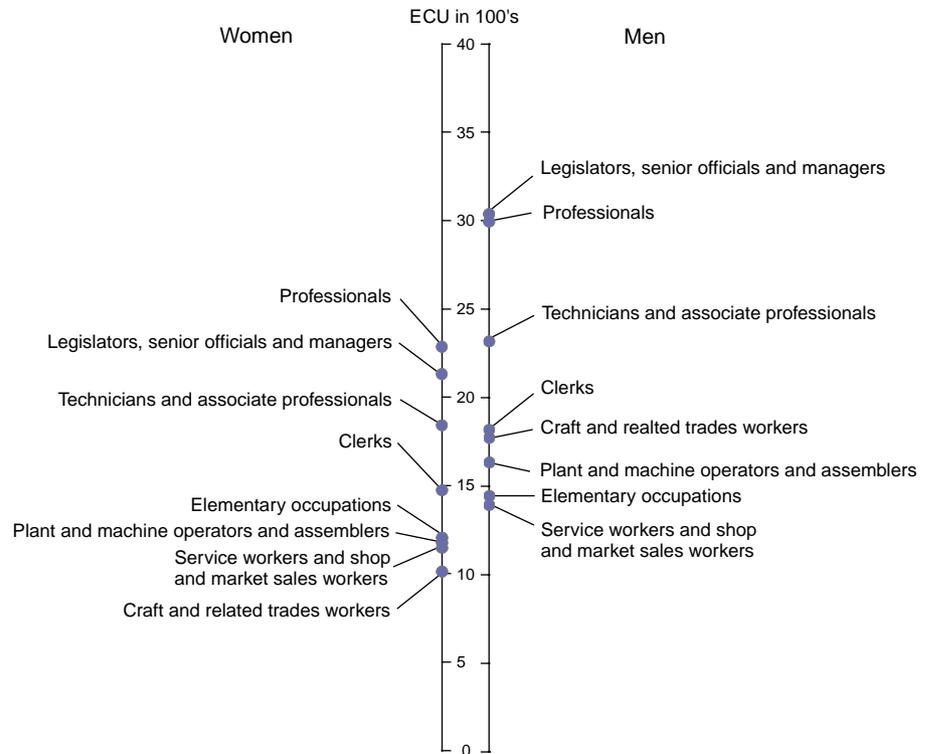
So far differences between women's and men's wages have been expressed as the ratio between their average wages, without us knowing anything about the actual level of wages. Are we calculating the ratio on the basis of high or low wages? What can we say about the level of wages in one group compared with other groups? It goes without saying that this question too is interesting and important in comparisons between women's and

men's wages. The figure below depicts the average wages of women and men in the occupational fields available in SES 1995, using a pay scale.

Average monthly earnings by occupation (major group) 1995

Full-time

This picture raises the question as to whether women and men receive equal pay for equal work and work of equal value.



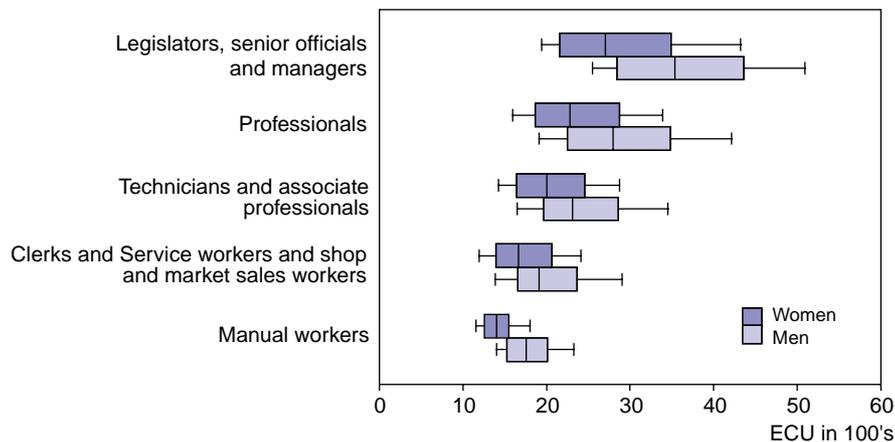
Source: Structure of Earnings Statistics 1995, Eurostat

Women's average wages fall within an interval of approximately 1 300 ECU and men's within an interval of about 1 600 ECU. Moreover, women are lower on the pay scale than men. It should be noted that in every occupational field there are variations in wage levels, both for women and for men. However, the pattern that emerges here recurs frequently when women's and men's wages are compared in different categories.

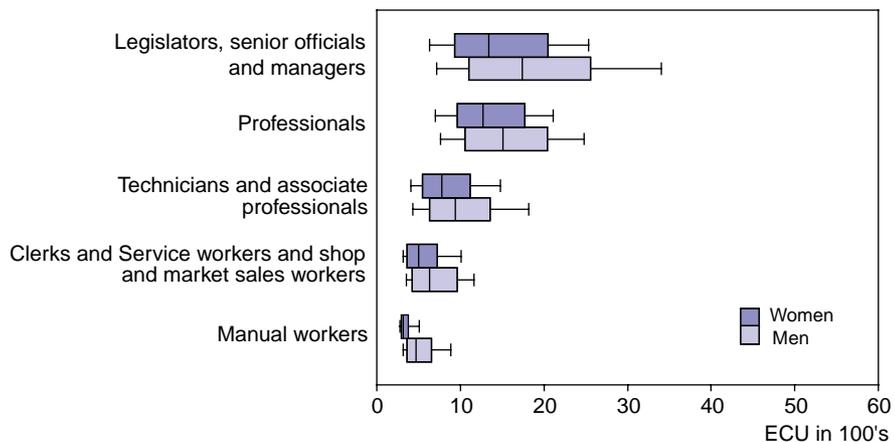
The wage dispersion in any category is best illustrated by studying the distribution of individuals in the category over the pay scale. Various methods can be employed, but the figure shown on next page gives a clear picture of what the position can be at the national level. The examples come from Belgium and Portugal.

Wage dispersion by occupation (major group) in Belgium and Portugal 1995

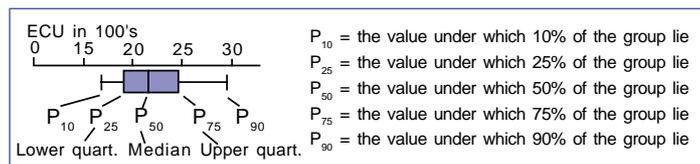
Per month. Full-time



A lower level of wages and narrower wage dispersion for women.



Source: Structure of Earnings Statistics 1995, Eurostat

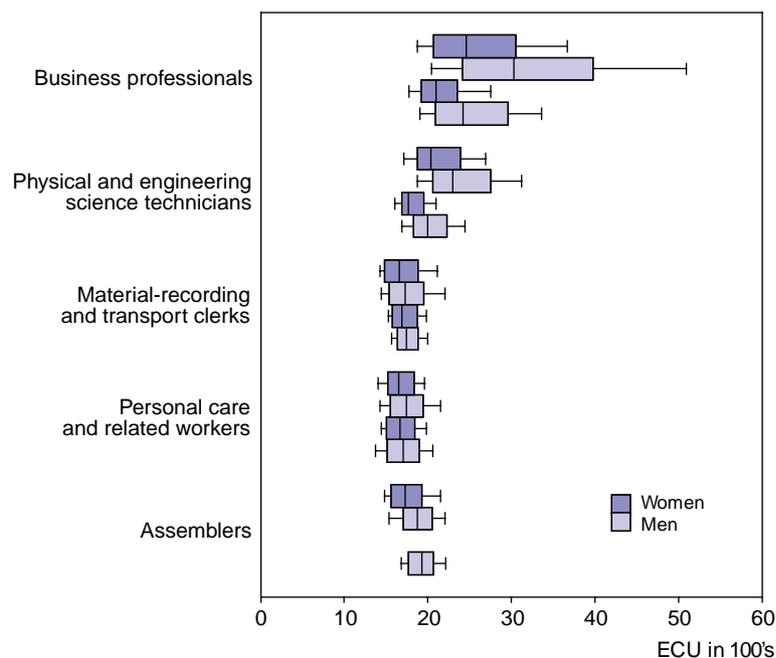


The wage dispersion in the two countries exhibits the same pattern, i.e. women's wages are lower than men's in all occupational fields. Furthermore, men's wages lie at a higher level (here, further to the right) on the pay scale.

The next example shows the position in Sweden in the five occupational groups discussed previously.

Wage dispersion in five occupational groups by private and public sector 1998

Per month in ECU 100's. The two upper bars in each occupational group show women and men in the private sector, the two lower bars the public sector.



Source: Structure of Earnings Statistics 1995, Eurostat

The five occupational fields have been divided up to reveal wages in both the private and public sectors. The wage dispersion is greater in the private sector, for both women and men. In the category *business professionals* women's upper quartile pay fails to attain the median pay level for men in the private sector. In the public sector it just passes men's median wages. In other respects, the same pattern applies here as has been shown before. In the occupational category *assemblers* there are few observations for women in the public sector, so the figures there are too unreliable to report.

The figure gives a clear picture of the wage dispersion. No measure is available for revealing changes over

time and making comparisons between different groups. A number of different measures can be used to describe wage dispersion. The following is a suggestion for discussion.

Between the lower and the upper quartile we have half of all individuals in the group, and between P_{10} and P_{90} we have 80 per cent of the group. The remaining 20 per cent may be individuals with extremely low or high values which are often not taken into account in calculating wage dispersion.

The measure we recommend for use is how wages are distributed about the average, i.e. the relative wage dispersion. Examples of this measure are shown for the five Swedish occupational groups.

The relative wage dispersion, expressed in per cent, is defined as the standard deviation divided by the average wage. The average wage here means the arithmetic mean.

Relative wage dispersion in five occupational groups by private and public sector 1998

Per cent

Occupation (minor group)	Private sector		Public sector	
	Women	Men	Women	Men
241 Business professionals	31	44	20	25
311 Physical and engineering science technicians	21	23	13	16
413 Material-recording and transport clerks	17	20	11	11
513 Personal care and related workers	15	22	12	15
828 Assemblers	19	16	..	12

.. Data too uncertain to be used.

Source: Structure of Earnings Statistics in Sweden 1998, Statistics Sweden

In most groups, women have a narrower relative wage dispersion than men. Among *assemblers* the women in the private sector exhibit a wider dispersion than the men, which is presumably due to the fact that there are not very many women in this group.

The figure conveys a picture of the wage dispersion, but does not show

how many individuals there are in each group. The figures showing wage dispersion can be regarded as complementing the tables presented earlier. They combine to help us obtain a good grasp of how wages and pay differentials for women and men in different groups.

Wage concepts

If the wages paid to a woman in one occupation are to be compared with the wages paid to a man in another occupation, it must be possible to compare each component of pay individually. This means it is important that the statistics on wages reveal the different components.

The following list specifies the wage components that it is important to include:

- Fixed wages including fixed bonuses
- Variable wages (incentive pay and wage component dependent on the profit made by the enterprise)
- Variable bonuses (bonuses for special or temporary work, shift work and inconvenient and staggered working hours, wage element in certain time schedules and remuneration for down time and travelling time)

- Other remuneration (remuneration for on-duty time, stand-by remuneration, remuneration for down time and travelling time outside normal time, other cash payments)
- Pay and remuneration for weekends and public holidays.

The following time variables should be included:

- Agreed weekly working hours (excl. agreed hours of compensatory leave)
- Agreed weekly working hours for full-time employment (excl. agreed hours of compensatory leave)
- Hours worked
- Number of agreed days of annual leave.

It must be possible to compare each component of pay individually.

These variables should be included in a model used as a basis for calculating monthly pay. One important wage component lacking here is remuneration for overtime work. Overtime work and remuneration for such work are variables that are tied to the business cycle and are difficult to

measure for large groups. The studies that have been made indicate that women work overtime to a lesser extent than men. Their hourly remuneration for overtime is lower due to the fact that they earn lower wages than men.

Factors that influence pay differentials

Irrespective of the particular study used, it is impossible to draw any very far-reaching conclusions about gender pay differentials – whether with or without any objective justification – in the country studied. It is still less possible to do so for the EU as a whole. The differentials that are visible at this broadly defined level can largely be explained by structural differences, e.g. different distribution of women and men by age, education, occupation, branch of industry, size of enterprise, region, etc. Here we have described, in various ways, how we can go about analysing gender pay differentials. Different methods are available for use in the analysis, ranging all the way from simple cross tables to extremely complex multivariate regression analyses. It is impossible to explain which parts of the gender pay differential are justified by objective factors and which are not, even using a very complex model, if the model does not include all the factors that contribute to determining wages. Our approach has been to see how factors that are easy to measure and understand and can affect wages. It is like peeling

an onion – the gap narrows the whole time, but a part of it, though varying in size, still remains.

There are circumstances that ought not to influence wages but that may come into the picture when wages are set, both when new appointments are made and when raises are decided. Examples here include civil status, parenthood, the number of children and their age. These factors are not included in the ordinary statistics on wages. It would be worth knowing whether there are differences in the way women and men who claim parental leave are treated.

It is unrealistic to believe that it will be possible to include all the factors that affect wages in national-level statistics. Attitudes towards the different realities experienced by women and men in their working life and as members of society are factors that have significance, that are measurable and that must be made visible. It is not certain that all the players around the negotiating table when wages are settled possess adequate knowledge about such factors.

What effect do civil status, parenthood, and number and age of children have on women's and men's wages?

Models and strategies for correcting unjustified pay differentials

Wage formation – a complicated process

Women's and men's wages are determined by negotiations between employers and their organisations, trade union organisations and individual employees. Wages can also be fixed by political decisions in the form of minimum wage legislation. These are the actors that set the price of labour that prevails on the market. The price is governed by the supply of and demand for labour, ideas about the value of female and male labour respectively, the relative strength of

the parties to the contracts, and by legislation and collective agreements. On this market, the desire to ensure stability and avoid chaos is a powerful feature, and various forms of legal regulation impose limits on the ability of the contracting parties to decide the price of labour by a test of strength (*strikes or lock-outs*, etc.). To a great extent, the collective agreement is an instrument of stability.

Collective agreements as a barrier – and as a battering ram

Collective agreements can be used to introduce and fix in place routines for identifying and thus exposing gender pay differentials. Collective agreements enable different types of industries and workplaces to develop tailor-made systems for their special needs, so as to monitor and control wages on the basis of the equal pay principle. This means that the collective agreement can and should be a dynamic instrument, whose structure and concrete provisions are open to change. In so far as gender pay differentials exist that are not justified by objective factors, they are sanctioned by the collective agreements, since these agreements are often the

most important building blocks in the pay structure. Hence, collective agreements are both a “barrier” and a “battering ram”. This means that the agreements can be used both to preserve pay differentials and to prevent them arising and change them.

Collective agreements are often described as “one of the most male-dominated sources of law”. This opinion relates primarily to the actors in the negotiating and agreement system. In the forum where wages and terms of employment are decided, the difference between the representation of women and men in positions of power has been vast. To a great extent,

Collective agreements that engage in sex discrimination have no validity.

it is men who decide on the concrete provisions of the agreements. For this reason, altering the distribution of power at the negotiating table is one of the most important strategies for improving women's wages.

Employers are bound by law to comply with the legislation and not to conclude contracts that constitute either direct or indirect sex discrimination. At present, collective agreements are the most important instrument regulating terms of employment on the European labour market. Between 50 and 80 per cent of employees in the EU are affected by collective agreements. Collective agreements thus cover a very high percentage of the labour market and in many countries moreover they can be declared to apply across the board, i.e. they can be extended to encompass all employees in a given sector or industry. However, the terms of employment faced by women are regulated to a lesser extent by collective agreements, partly because a smaller proportion of women are members of union organisations and partly because they are excluded from the area in which the agreements apply, since they are not regarded as workers.

Collective agreements that engage in sex discrimination can be set aside by a court of law, which means that

employers are no longer free to treat employees favourably or unfavourably on account of their sex. In recent decades negotiating and agreement systems have been decentralised and individual pay awards have become more common. In many countries the degree of unionisation in the labour force has declined, yet the degree of coverage provided by collective agreements has remained constant. The issue of wage discrimination has led to more women joining unions in countries where the trade union organisations have highlighted this issue. In other countries the competing demands of female and male members have led to conflict within trade union organisations. Male members who have felt that their established position was under threat from initiatives focusing on women's wages have left the union and even established new organisations to safeguard their own special interests. This is a manifestation of the logic of the pecking order: the prime concern is not to lose one's place in the wage hierarchy. The demand for the implementation of the equal pay principle can lead to increased sex segregation in the negotiating and agreement systems, but it can also stimulate the growth of new strategies and result in new patterns of conflict on the labour market.

A gender perspective on pay systems

The type of agreement that dominates the Community labour market at present is the minimum wage agreement, and this must be seen as an expression of increased demands for flexibility and individualisation. Minimum wage systems, which allow

scope for the local parties to enter into agreements beyond the minimum level established centrally, can lead to a more informal and less transparent pay system. One general pattern is that in locally set wage agreements a higher premium is paid to male-dominated

Informal pay systems favour men.

More formal pay systems benefit women.

groups in the form of various wage supplements than to female-dominated groups. Employment benefits over and above the agreed minimum level – so-called fringe benefits – are gender-specific and in practice add to gender pay differentials. Head of household supplements are still common on the European labour market. Men who have children receive pay supplements while women are not paid any corresponding premium. More formal pay systems, such as various forms of standard pay systems, are generally regarded as less disadvantageous for women's wages. A formal system is more transparent. A fair initial grade in the pay system is of fundamental importance. A pay scale agreement arouses questions about whether the salary grades or steps on the wage ladder match the actual demands posed by the work or reflect a traditional, unquestioned ranking order that bears no relation to the level of education and experience required, responsibility, effort and similar factors.

These different pay systems must be scrutinised from a gender perspective. Both formal and more informal pay systems can be organised so as to place women at a disadvantage. The demand for transparency and the demand for an objective evaluation of women's and men's wages are fundamental requirements for avoiding pay settlements marked by wage discrimination.

In the case of pay systems that build on individual pay awards, the criteria for individual assessment should be scrutinised. The absence of criteria allows unconscious gender attitudes great scope. If assessment criteria have been formulated, scrutiny should focus firstly on whether they are gender-neutral – they should favour neither women nor men – and secondly on how they are applied in practice. Is there any possibility of women reaching the same pay level as men or is the wage dispersion less generous than for men?

Models and methods

Equal pay legislation achieves a broader impact if the collective agreements are linked to legal regulations and contain explicit routines for checking that the legislation is respected. This can entail, for example, that the collective agreement will prescribe a method for comparing and analysing wages against the background of the equal pay principle. Collective agreements can introduce gender-neutral job evaluation – as a standard instrument for determining pay or as a control.

A further possible consequence is that parts of the resources available in the negotiation process may be reserved for measures to correct wage discrimination. The chances of setting aside special funds for raising women's wages improve if the negotiating system is loosened up. Areas covered by agreements where men dominate will then be obliged to share with areas dominated by women.

Collective agreements are also a good tool for promoting continuing

professional development as a means of narrowing the wage gap between women and men. One possibility is to construct a ladder of competence in an occupation, which provides scope for working duties that vary in their degree of difficulty. Another possibility is to guarantee categories of employees or individual employees opportunities for education, training and development, as a means to raising their level of remuneration in the long term. Regardless of which pay system is applied and regardless of which

particular strategy the social partners choose, one essential requirement is that it must be possible to monitor and analyse women's and men's wages over time.

Mainstreaming in the domain of wages would be advanced if the following clause were introduced into every collective agreement affecting wages: "All changes in the pay system and all decisions regarding changes in wages must be preceded by an analysis of the consequences for women and men."

Strategies through legislation

It is important to remember that the general design of a country's labour legislation can have a very significant impact on who enjoys protection against sex discrimination. When job applicants and employees are guaranteed such protection, the definition of "job applicant" and "worker" plays an important role. Some part-time workers are left without protection if the law states that an individual must work a certain number of hours in order to be termed a worker.

Minimum wage legislation functions as a form of protective legislation to prevent women's work from being exploited and undervalued. How well it fulfils this function depends on the level of the minimum wage, and one necessary condition is that women are defined as workers and are covered by the law.

The prohibitions against sex discrimination in the various Member States are constructed as a form of protection for the individual. Individu-

als can make use of these prohibitions when seeking their rights. Protective rules that are based on the individual are necessary but do not suffice in themselves to remove unjustified gender pay differentials in the Member States of the Union. The undervaluation of women's work is by nature a structure inherent in the system of wage formation. Many people suffer its effects. Consequently, individual legal disputes are incapable of solving this problem, which bears a collective stamp, even if judgements in wage discrimination cases have a value that transcends the individual case by contributing to the growth of knowledge and influencing attitudes. This means that there should be interest in discussing whether legislative models should be considered that are more collective in their focus.

One alternative that may prove to be of interest in this connection is to pass legislation allowing some type of class action in wage discrimination cases. This could establish the possibility of

A new collective agreement wording

"All changes in the pay system and all decisions regarding changes in wages must be preceded by an analysis of the consequences for women and men."

The undervaluation of women's work is by nature a structure inherent in the system of wage formation.

Legislative models with a collective orientation should be considered, e.g. class actions.

several individuals bringing their case before the court simultaneously. The main feature distinguishing class actions from other forms of legal action is that there is no individual party in the actual legal proceedings. The action is brought on behalf of the group and any judgement is binding for all those covered by the collective claim. For obvious reasons, this procedure for having their claims heard in court would impose less of a strain on individual employees. A class action on wage discrimination could focus on the criteria for being placed on a certain rung of the wage ladder or in a certain pay group under the pay system in force at the workplace. A class action could also aim to achieve recognition of the fact that the work performed by persons in the category is equal in value to work by persons in another category.

Over and above changes in the regulations governing the right to take legal action (building on the prohibition of discrimination in the individual connection), the possibility exists of passing legislation to impose certain obligations on the social partners, with a view to preventing or solving problems related to unjustified pay differentials. Below we give a few examples of this type of proactive legislation.

Proactive legislation

Canada provides examples of far-reaching proactive legislation. The provinces of Ontario and Quebec have laws on mandatory job evaluation and detailed regulations for the procedure associated with job evaluation studies; further, there are regulations on the time frame for implementing the pay corrections found to be necessary and on how large a proportion of the total pool of wages is to be reserved for this

purpose. Special supervisory bodies have been set up to support and monitor compliance with the legislation. There are no instances of corresponding types of legislation in the European Union.

There are a number of stations on the way towards a radical legislative model of this kind. An attempt to describe them – progressing from moderate to increasingly vigorous measures – might look as follows:

- Prior to the regular rounds of pay negotiations, the employer is required to draw up information on women's and men's wages and make this information available to the union or to other representatives of the staff. The point of this measure is to make the gap between women's and men's wages visible and to supply the information that is needed to ensure that attention is paid to the issue of equal pay during pay negotiations.
- The employer is required to produce information on the pay system and wages and to analyse this information from the perspective of gender equality, in cooperation with the union or other representatives of the staff. This process can be termed a gender audit of pay. The purpose is to check that equal wages are paid for equal work or work of equal value.
- The employer is required to analyse the pay system and wages from the perspective of gender equality, in cooperation with the union or other representatives of the staff, and to draw up an action plan to correct wages on the basis of the results of the analysis. The objective here is to ensure that the equal pay principle is implemented in practical action by means of planned corrections to pay.

There are examples of the duty to provide information about women's and men's wages in French labour legislation. Under the Code du Travail, article L 132-12, the employer is required to compile information once a year, prior to pay negotiations, and to conduct an analysis of economic developments and the situation of the employees. A report is to be made available to the employee organisations concerned 15 days before the negotiations begin, containing among other things an analysis of wage trends, by sex, for each occupational category. The employee organisations are entitled to receive the information they need to enable them to negotiate on the basis of adequate knowledge about the prevailing conditions.

In November 2000 the law has been toughened up by the addition of a new clause requiring employers to initiate annual negotiations on objectives for gender equality work and the means to achieve these objectives.

The Swedish Act on Equality between Men and Women introduced a regulation several years ago making it obligatory for employers to produce an annual survey of the gender pay differentials in different types of jobs and among different categories of workers. On 1 January 2001 this regulation will be toughened up in several ways. The Act states that the purpose of the survey is to discover, correct and prevent wage discrimination. Comparisons are to be

made between women and men performing work that can be considered equal or of equal value. Employees therefore have to be sorted into categories, so as to make comparisons of this kind possible. The result of the wages analysis is to be presented in an action plan, giving estimates for the cost of the necessary pay corrections and a timetable for achieving them. The law prescribes a time-frame of three years. The unions are entitled to information on the wages paid to individual employees when they need this information in order to be able to take part in the task of producing the survey of wages.

Legislation and collective agreements are not alternative means of solving the problems of wage discrimination. Both are needed and both should be designed so as to reinforce each other. Where legislation is concerned, this means that synergy effects can be achieved if the legal regulations are inspired by and in turn support good models in working life for analysing gender pay differentials prior to pay rounds. The parties entering into agreements, in turn, face an important task in enlarging the scope given in collective agreements to the prohibition of wage discrimination. The collective agreement is an important instrument for translating the equal pay principle into methods and routines that lead to equal pay for equal work or work of equal value at the workplace level.

Canada

Mandatory job evaluation.

Sweden

Mandatory surveys of pay differentials.

France

Obligation to include gender equality issues in negotiations.

Visions – what we need to do

Prohibition of discrimination as a new fundamental normative pattern

The equal pay principle in the EU can now be regarded as a constitutional principle. The equal pay principle expresses both the social and the economic dimension, and the tension between them. We can discern several different fundamental patterns in EU law. These patterns provide a description of the relation between the legal regulations and the underlying norms on the labour market, i.e. the value actually attributed to women's and men's work. These normative fundamental patterns can differ in the form they take for women and for men. The most important fundamental pattern in the social dimension is the *prohibition of discrimination* for various reasons. The prohibition of sex discrimination is one specific discernible pattern. These fundamental patterns can be more or less conservative or dynamic. They can have the effect of preserving the system or changing it and the different patterns come into conflict. Community law is not a uniform system free of contradictions, and the system is in constant motion.

One fundamental pattern is *protection of established positions*. It is a fact that men have and have had an established position on the labour market and that this position has enjoyed legitimacy. Legitimacy has been achieved by legislation and by the systems of collective negotiation and collective agreements. At present there is movement in the regulations and principles on the common labour

market, away from the established position men enjoy towards the new normative fundamental pattern of *equitable distribution*. This new pattern requires that work (productive and reproductive), income and wages should be distributed fairly between women and men, collectively and individually. The equal pay principle is based on a principle of justice, that equal cases must receive equal treatment. Equitable distribution has become increasingly individualised. Decentralisation and individualisation have become key words and collective distribution has fallen into neglect.

The prohibition of discrimination has both conservative and dynamic traits. It is conservative in the sense that it excludes those who are not covered by the concepts of discrimination. It is dynamic in the sense that it is capable of leading to changes in the system. The prohibition of discrimination is capable of leading to changes in values and positions on the labour market. The point of departure is that the market is required to disregard otherness, i.e. departures from the norm. Sex, race or ethnic identity are no longer legitimate reasons for discrimination on the common labour market.

The new Article 13 of the EC Treaty has enhanced the possibility of legislating against discrimination in the Union. Following a Commission proposal, the Council is empowered to take measures by unanimous decision to "combat discrimination on the basis

of sex, race, ethnic origin, religion or belief, disability, age or sexual orientation". Building on this, Directive 2000/43 has been passed, prohibiting discrimination that is connected with race or ethnic origin. Further, in autumn 2000 a political agreement has been reached on a directive prohibiting discrimination in working life on the grounds of religion or belief, disability, age or sexual orientation

The proposed EU Charter of Fundamental Rights emphasises still further the protection given to human rights in the Union.

The conflict between the different fundamental patterns emerges most clearly when it comes to the application of legal regulations in agreement negotiations and courts of law. In these cases, the fundamental pattern of *market functions* comes to the fore. The prohibition of indirect discrimination

has come about as a consequence of the fact that women who diverge from the norm are treated in a non-standard manner on the labour market. Part-time employment is the most common reason for the unfavourable treatment of women on the labour market.

Another reason is parental leave. Assuming that such unfavourable treatment is appropriate and necessary in view of the requirements of the employer's or the state's operations, this non-standard treatment is not regarded as discrimination from a legal point of view. Hence, there is a conflict between the market functions pattern and the prohibition of discrimination. If the market functions pattern exerts a powerful influence, it leads to the possible legitimisation of non-standard treatment of women. If this is the case, the prohibition of sex discrimination may have effects contrary to those intended.

A new scale of values in conscious use

What, then, is the situation faced by employers, union representatives and individuals who are involved in endeavours to promote gender equality at the workplace level? What problems do they encounter when they are to adopt a position on whether gender pay differentials are justified or whether they are related to sex?

At present, to a great extent, women and men have different types of jobs. We may say that women and men on the labour market inhabit separate worlds. It is also obvious that work that is performed primarily by women tends to be valued less than work that is associated with male employment. A scale of values exists on which sex is significant for how highly a type of job

ranks. At one time, this scale of values could be completely open in that different wages were stipulated for the same work for men and women. In our day, the scale of values is mostly invisible but nevertheless it is still there.

The prohibition of wage discrimination means that equal wages are to be paid for equal work or work of equal value, if no reasons exist for a pay differential that are objective and independent of sex. The equal pay principle is based on the principle of comparison with persons of the opposite sex. Must the value of women's work always be defined relative to a man's work and the wages paid for that work, or does the work a

Council Directive 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin

A first step in tackling unjustified gender pay differentials is to bring the invisible scale of values out into the open.

person performs have its own inherent value? Even at workplaces where there are no men to compare the women with, the setting of wages can still lack objective justification due to a gender-based undervaluing or devaluing of work. The right or reasonable level for wages must then be determined on the basis of some norm other than comparison with a male person at that workplace. On a labour market that has been characterised for centuries by the idea of the male norm, changes in the system can only come about if the significance of this norm diminishes.

A first step in tackling unjustified gender pay differentials is to bring the invisible scale of values out into the open. Wages represent the value that has been attributed to work and to the person performing the work. When pay systems and wages at different workplaces are scrutinised from a gender perspective, the process involved entails bringing the values and judgements that lie behind a certain wage to light, making it possible to check them and question them. Only then does it become possible to find out whether women and men are being judged by the same standards. Perhaps professional expertise and occupational skills are valued less highly in women's work than in men's. Responsibility may be a factor that has been accorded major importance when a man's wages have been decided, while a corresponding burden of responsibility for a woman has not been given the same weight. When employers and other actors at the workplace level compare women's and men's wages in a systematic fashion, they will find out if the scale of values has been applied inconsistently.

A new scale of values in conscious use is needed in the negotiation and agreement systems.

Examining wages from a gender perspective also makes it possible to discover deficiencies in the scale of values. The pay systems and the scale of values built into these systems have generally been constructed on the "male labour market". The labour market is highly segregated and, to a great extent, women and men are found in different occupational areas. This can mean that certain types of knowledge and skills that are typical of female occupational areas do not register on the male scale of values. But it is not just a matter of supplementing the scale of values by adding missing features that may do justice to typically female work. It is also essential to initiate a discussion on the changes that are needed in the scale of values itself. For if the scale of values that now supports unjustified gender pay differentials is retained unchanged, the result will be to lend legitimacy to unfair treatment. If we look at the issue from a historical perspective, what is needed – if the equal pay principle is to make itself felt – is a new scale of values in conscious use in the negotiating and agreement systems, a scale of values that does justice to both women's and men's work.

The legal concept of "equal pay for equal work and work of equal value" opens up good prospects of tackling unjustified pay differentials in situations where it is possible to compare women and men who do carry out equal work or work of equal value. However, it is obvious that difficulties will arise in bringing legal means to bear on undervaluation and unfair treatment based on sex when this comparative model is not available for use. On a highly segregated labour

market, where single-sex workplaces are not uncommon, this will mean that large groups of women will be left without protection or will have particular difficulty in pursuing legal claims for wages that are independent of unjustified reference to sex. However, it should be emphasised that in legal practice many questions about

the scope of the equal pay principle still remain unanswered. The possibility remains that the problems involved in applying the principle that we have touched on above will find a positive solution and that more comprehensive protection will be developed against unjustified pay differentials based on sex.

Evaluating jobs and assessing qualifications

Which methods should be chosen for making the unseen scale of values visible at the workplace level? What needs to be made visible is the evaluation of the demands made by the work. At workplaces with individual pay awards, the assessment of performance is often a significant element in setting wages. If our aim is to make the scale of values visible, it is therefore not enough to examine how the demands made by the work are reflected in individual wages. The criteria for assessing performance also need to be brought to light.

Job evaluation assumes many forms and follows many different models. Generally evaluation has been brought in without the reasons for doing so having anything to do with the ambition to achieve equal pay for equal work and work of equal value. At workplaces that already apply some system of job evaluation, the task therefore becomes to check whether the system captures and evaluates both women's and men's work in a fair and gender-neutral manner. The system itself may be irreproachable, while the way it is applied has shortcomings.

At workplaces that are in the process of introducing job evaluation, it is important to demand that the system

meet certain requirements. These quality requirements can be formulated as follows.

The information about what the job involves must be as complete as possible. The data collected about the job are the foundation for evaluation. If certain working duties are omitted in describing a type of job, this means that the evaluation will fail to take these duties into account and will consequently not be reliable. The first check that should be performed when examining a job evaluation system is therefore whether the system has the capacity to capture all the information that is needed about the different types of jobs. This entails a critical examination of questionnaires – if questionnaires are to be used – and of the other sources and methods indicated by the system for compiling information about the demands made by different types of jobs.

A further important area is the structure of the system. The system must be constructed so as to encompass the four criteria *skill*, *effort*, *responsibility* and *working conditions*. As a rule, these major factors can be broken down into a number of sub-factors. The latter must then be designed so as to reflect equally the

Job evaluation measures and compares the demands made by jobs.

Evaluation of qualifications measures and compares how individuals meet these demands.

content of both women's and men's work. There is a lack of balance if many more factors are attributable to characteristic features of male-dominated work than typical features of traditionally female work. Older systems commonly incorporate very few sub-factors – if any – that take up aspects of female-dominated work, such as emotional effort, responsibility for human health or manual dexterity. As a result, these systems undervalue jobs that make demands of these kinds.

The weight given to each sub-factor in the system must also be examined from a gender perspective. This involves checking that the factors that have been accorded the greatest importance do not place one sex or the other at an unfair advantage.

Another critical point from the point of view of gender equality is how a job evaluation system is applied in practice. If evaluations are made by a job evaluation committee, this committee should be well-balanced in its composition and should consist of both women and men who have received adequate training for their task. Since it is the types of jobs, not the individuals performing the work, that are to be evaluated, it is important to detach the process of evaluation from individual employees. The advice

generally given in the existing literature on gender-neutral job evaluation is to evaluate one factor at a time across all the types of jobs that are to be evaluated, so as to make the evaluation as consistent as possible.

At workplaces where performance and other factors related to individuals are significant in setting wages, it is necessary – if this component of the scale of values is also to be made visible – to supplement the job evaluation conducted with some method for assessing individual capabilities relative to the demands made by the job. Individual capabilities, which can also be called individual qualifications, should be assessed with reference to the actual work and activities. By elaborating a “qualifications model” that relates to the system or model used for measuring the demands made by the job, one obtains a systematic method for discovering and preventing unjustified gender pay differentials.

It is important that the actors on site at individual workplaces are given access to information about gender-neutral evaluation of jobs and qualifications. This information should have a solid grounding in the research in the area, but should also be adapted to meet the needs of users.

Improving statistics

If we are to be able to make women's and men's wages visible, we must collect information covering all women and men, whether employed full-time or part-time, and the data on them must be gathered at a sufficiently detailed level to allow meaningful analysis. Therefore, statistics on wages in each Member State and in the Community-wide statistics must:

- **Cover all branches of industry, so as to make it possible to analyse wages on both women's and men's labour markets.** The joint EU "Structure of Earnings Statistics" (Regulation No 530/199) require extensive – if not all-inclusive – collection of data on different branches of industry. Nevertheless, at present not all Member States collect data on industries such as *agriculture and fishing, public administration and defence, education, health care and nursing, social services and veterinary activities, other social and personal services, employment in private households and activities at extra-territorial organisations and bodies, etc.* This means that according to the European Labour Force Survey 1999, 47 per cent of women and 24 per cent of men are excluded from the wage statistics collected by Eurostat. One way of improving the statistical data available is to curtail the opportunities for Member States to exclude certain industries.
- **Collect data on the occupation of individuals following a classification that is able to capture the types of work done by both women and men at as detailed a level as possible.** The occupational classification used in the Eurostat earnings statistics (see above) is the International Standard Classification of Occupations, ISCO-88(COM). At present, data on occupation is collected at too high a level of aggregation (the two-digit level). At this level there is information only on the group to which the occupation belongs, not on the individual's actual occupation.. It is essential that occupational data be collected at the four-digit level. Collection of data at the three-digit level makes for more detailed information. In order to gain statistical material that is still more reliable, occupational data probably needs to be collected at the four-digit level.

Indicators – ideas for discussion

The gender pay differentials in EU Member States must be monitored both within the individual countries and internationally. As a basis for further discussions, we here suggest possible indicators.

- **Women's wages as a percentage of men's at the national level.**
An indicator of this kind gives a picture of the pay differentials over the labour market as a whole. The various structural differences in employment and branches of industry, and the differences in the distribution of women and men by age, educational level, etc., may explain the different average wages paid to women and men. This indicator gives a limited picture of gender pay differentials, but does show changes over time.
- **Women's wages as a percentage of men's, with a breakdown by age.** Differences in the distribution of women and men by age may partially explain pay differentials. A breakdown into four age categories – 15–24, 25–39, 40–49 and 50–64 – will provide a picture of the pay differentials in the age categories reflected by individuals' different life cycles. The lowest age category includes many young people who are still in educational programmes. The second age group presumably contains most parents of young children, both women and men. It is also in this category that the proportion of women in part-time employment is highest. The 40–49 age category consists of women and men without young children. The final age category contains more men in part-time employment than any other age category. Several studies have shown that pay differentials widen with increasing age.
- **Women's wages as a percentage of men's, by age and educational level.** The duration of education affects wages. A rough classification of employees into "no more than secondary education" and "post-secondary education" should be enough to explain pay differentials due to education. When combined with age (see above), this allows comparisons of more homogeneous groups of women and men than has hitherto been possible.
- Women's wages do not exhibit the same type of dispersion or as wide a dispersion over the pay scale as men's. An indicator should be developed that gives a picture of the wage dispersion for all women and all men of different ages and educational levels, by occupation. **One measure that should be used is relative wage dispersion.**

At the national level estimates and analyses of these indicators should be undertaken for each occupation at a detailed level, by age and level of education.

It should be emphasised that the four indicators described above are only meant as a reasoned discussion of how indicators can be selected. As work in this area continues, a number of points will need to be considered. Is it necessary or desirable to coordinate the indicators with the indicators applied in the sphere of employment? While there are probably benefits to be gained from coordination, it is essential to bear in mind that the indicators in part have different objectives. A further question that should be discussed in this connection is how to go about classification into age groups. Should the lowest age group be defined on the basis of the goal that young people under the age of 20 should be in education and should not be performing paid work? Or should we proceed from present day reality and use a lowest age group beginning at 15? Starting wages have great significance for future pay differentials. Highlighting pay differentials between women and men at all age levels is an important objective when working on these types of indicators. Thus, a range of questions still remain open for discussion in future work on developing suitable indicators for measuring gender pay differentials and monitoring their development.

Closing comments

This report has pointed out that wage discrimination is a complex problem that requires new initiatives and innovative thinking in many different areas. Improved knowledge is needed both about the causes of existing gender pay differentials and effective methods for reducing these differentials. Here researchers from various different disciplines can make valuable contributions, preferably involving cooperation across traditional subject area boundaries. Important tasks await those who are in a position to influence legislation. At the negotiating table, the parties that determine the contents of collective agreements can accomplish much in ensuring that unjustified pay differentials are revealed, corrected and prevented.

The statistics on wages need to be supplemented and improved in various respects. At present large groups on the labour market are left out of the statistics. This applies, for example, to public administration, education and health care, areas that together employ a large number of women. In order to make the working duties performed by women and men visible in the best

possible fashion, information is needed at a much more detailed level than is available at present. This is essential if comparisons of wages are to be possible between women and men who perform equal work and work of equal value.

Legislation and collective agreements can serve in various ways as means of stimulating efforts to combat wage discrimination. New methods need to be tried out and good models need to gain greater currency. One valuable instrument that can enable us to monitor and evaluate the efforts made in the different Member States on a continuous basis are indicators. The information brought out by indicators is significant both nationally and at the EU level. Indicators can be designed in many different ways. One goal when choosing an indicator should be that it must yield ample and relevant information while not being too complicated. In this report we have discussed two types of indicators. One type shows women's wages as a percentage of men's in different groups. The other shows the wage dispersion for women and men in different groups.