

# Gender pay transparency measures in the EU: An overview of approaches, practices and experiences

## Current Reflections on EU Gender Equality Law

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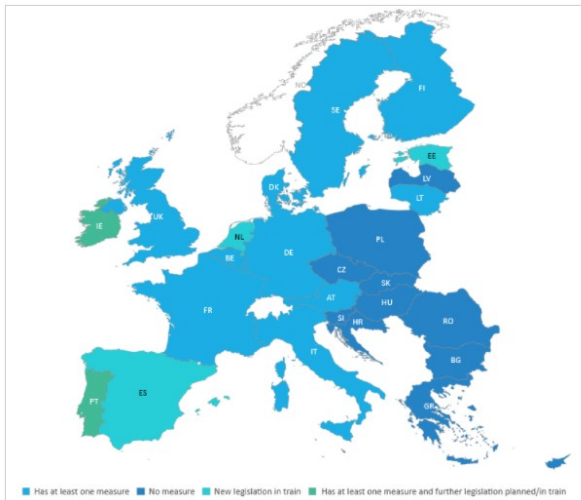


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## Instruments as per 2014 Recommendation

| Right to obtain info  | Pay reports  | Pay audits   | Collective bargaining  |
|---|--|--|--|
| <ul style="list-style-type: none"><li>• Employees can request info on pay levels</li><li>• Broken down by gender</li><li>• Same work or work of equal value</li><li>• Including complementary or variable components of pay</li></ul> | <ul style="list-style-type: none"><li>• Companies with 50+</li><li>• Regularly inform employees, representatives and social partners</li><li>• Average information</li><li>• By category of employee, position</li><li>• By gender</li></ul> | <ul style="list-style-type: none"><li>• 250+; Analysis of ...</li><li>• proportion of men and women by category</li><li>• Job evaluation and classification system</li></ul> | <ul style="list-style-type: none"><li>• Ensure that issue of equal pay ...</li><li>• Discussed at appropriate level of collective bargaining</li></ul> |

## The 2014 Recommendation was only partially followed



- No measures
- At least one measure
- New legislation in train
- At least one measure and further legislation in train

Source: Eurofound (2020c), situation as of end 2020



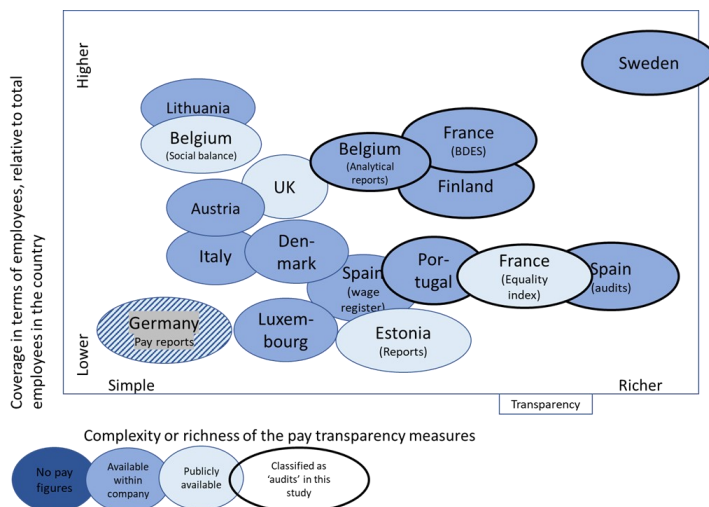
## Instruments as per proposed directive

| Right to obtain info (Art 7)  | Pay reports (Art 8)   | Joint pay assessment (Art 9)   | Transparency prior to employment (Art 5) and pay setting and career progression policy (Art 6)  |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>Employees can request info on pay levels</li> <li>Broken down by gender</li> <li>Same work or work of equal value</li> <li>Including complementary or variable components of pay</li> <li>No prevention from disclosure</li> </ul> | <ul style="list-style-type: none"> <li>Companies with 250+</li> <li>(Median) pay gap and gap in complementary/variable earnings</li> <li>Proportion of men and women receiving complementary/variable pay</li> <li>Proportion of men and women in each quartile pay band</li> <li>By category of employee, position</li> <li>Publish most of the info</li> <li>For workers/representatives and a monitoring body</li> </ul> | <ul style="list-style-type: none"> <li>If at the pay reports (Art 8) show a gap of at least 5% and there was no justification for the gap based on objective grounds</li> <li>250+: Analysis of ...</li> <li>proportion of men and women by category</li> <li>Detailed info on pay per category</li> <li>Reasons for differences and justifications</li> <li>Measures to address differences if unjustified</li> <li>If required; Gender neutral job evaluation and classification system</li> </ul> | <ul style="list-style-type: none"> <li>Information on initial level or its range e.g. in job vacancy note;</li> <li>description of criteria used to determine pay and career progression</li> </ul> |

COM(2021) 93 final 2021/0050 (COD)



## Pay reports and audits by complexity and coverage



Coverage of the instruments is low in many cases.

Only few countries opted for full (=publicly available) transparency.

Source: Eurofound (2020a)



## Contents of pay reports

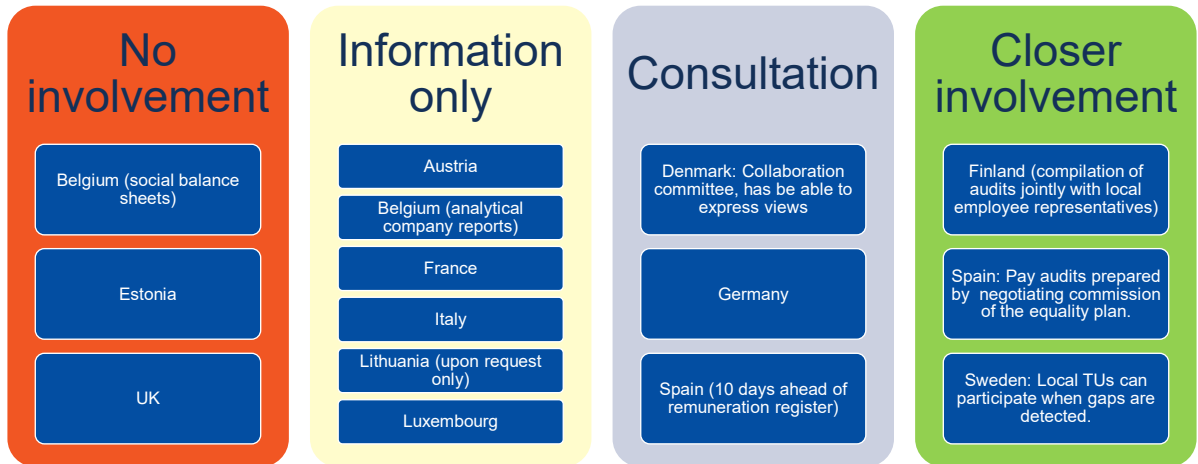
|  |                     | Breakdown into different components of pay (e.g. bonuses separately) |  |
|--|---------------------|--|--|
|  |                     | Yes  | No   |
| Break down by categories of workers doing the same work or work of equal value | Same work           | Denmark*, Estonia, Italy, [Spain]                                    | Austria, Lithuania,                            |
|  | Work of equal value | [Spain – for larger companies]                                       | -  |
|  | No                  | Belgium [social balance sheets], United Kingdom                      | Germany, Luxembourg*, Portugal (public sector) |

Source: Based on Eurofound (2020b), table 5 and table 6.

Note: \* Denmark: The law is not prescriptive on the breakdown into different components, but the report must be 'in such detail that it is possible to compare wages between men and women meaningfully'. The Luxembourgish law is also not prescriptive on the strata of information, but usually the pay scale is structured according to occupations and ranks.



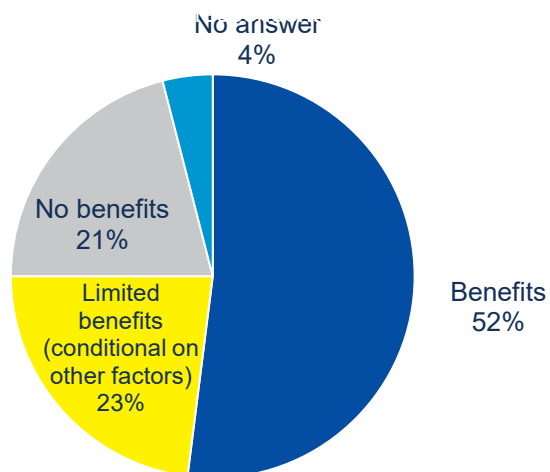
## Employee representatives' role in pay transparency



## Perceived benefits of pay transparency measures

124 observations from interviews with management and employee representatives including:

- Right to obtain information
- Pay reports
- Pay audits



## Perceived benefits by management

Pay transparency measures...

- Increase the awareness for the existence of gender pay
- Establish facts
- Promote trust between management and employees and offer re-assurance that the pay setting has been done under equality considerations and in a non-discriminatory way
- Offer deeper insights into equal pay issues, but also into pay structures more generally and thus inform the future pay setting or negotiations
- They can make those companies act (or at least reflect on) gender pay equality that wouldn't have done so in the absence of a law
- (When published openly): they can help in recruitment and in attracting new applicants, provided that the result is good and help promote a good corporate image.

## Perceived benefits by employee representatives do not differ

Pay transparency measures....

- are important as preventive measures
- may increase motivation and trust among employees
- help establish objective facts
- employees resort to the results for (individual) pay negotiations

## Those who see limited or no benefits

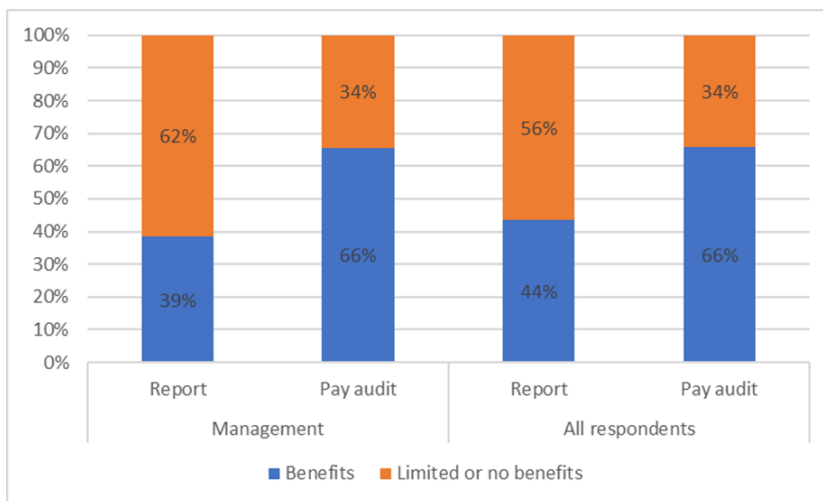
Limited benefits reported, because...

- Specificities of the national legislation
- More details would be required in the reports to make them meaningful
- Limited contribution to address gender pay gap – more is needed
- Longitudinal aspect is missing

No benefits, because...

- Company already sensitive
- A mere formality
- Too limited time for follow-up actions
- National legislation not regarded as useful

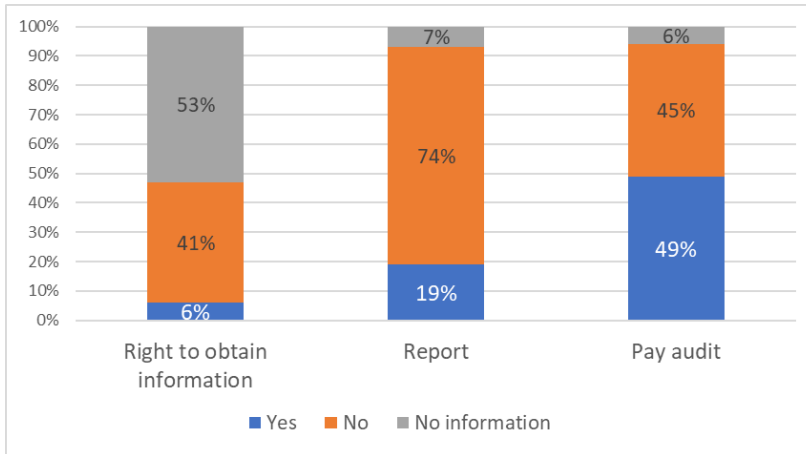
## Perceived benefits of pay reports and pay audits



Pay audits are significantly more likely to be regarded as 'beneficial' than the pay reports.

Source: Eurofound, 2020a; Management responses: N = 71 valid observations.  
All respondents: N= 102 valid observations.

## Have at least some employees received pay increases?



Pay audits more often lead to pay increases for employees.

Source: Eurofound (2020a), Interviews with management and employee representatives, 124 observations.



## Common success factors

- Clear legislation, good briefing material in the roll-out phase
- Sufficient, but manageable degree of richness of information.
- Work of equal value principle to be included.
- Buy in from peak level social partners who support the endeavour actively
- Involvement of the company employee representatives (unions, works councils) in more stages during the process (i.e. just 'informing', ideally in the design).
- Mandatory exchanges on the results with the employee representatives or with employees.
- Action plans.
- Some element of transparency beyond the company level: Public for headline figures; government institutions to check compliance and obtain overview.



## Do transparency measures close the gender pay gap?

- OECD (2021): Policy brief and literature review of several studies:
  - By and large, the policies are effective in reducing the gap somewhat (though contingent on good implementation).
- Baggio and Marandola (2022): Online experiment (Germany, Spain and Poland), about 2,700 participants.
  - GPT interferes with the provision of EXTRA effort (but doesn't interfere with effort exerted/ no impact on average performance)
  - Increases grounded requests, decreases unjustified requests
  - People compare themselves to the same gender, rather than looking at the GPG
  - “transparency may not be as effective as expected in encouraging women to report lower pay with respect to men”
- Bennedsen et al (2019): 2006 legislation in Denmark:
  - reduced the GPG (by -2pp) via a slower growth of men's wages.
  - Lower wage bill, no effect on firm profitability, likely because of reduced firm productivity.
- Gulyas et al (2020): Austria: No effect on wages, but fewer quits (proxy for higher job satisfaction)
- Böheim and Gust (2021): 2011 legislation in Austria:
  - no impact on the wages or the GPG in general (only among newly hired in large companies).
  - No significant effects on employment growth or turnover;
  - lower share of women in companies affected by the law.

## Conclusion

The proposed directive advances the national instruments:

- Coverage ensured through inclusion of public and private sector and (for some measures – right to obtain information, information on pay – also for smaller companies)
- Full transparency of some headline figures for larger companies
- Work of equal value concept also to be considered in the simpler pay reporting
- Action required when gaps are detected
- Clear reference to employee representative's involvement
- Governmental 'monitoring' body to gather the information

\* COM(2021) 93 final 2021/0050 (COD).



## References

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## Thank you for your attention!

If you have any further questions:

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