



European Commission
Justice

Exchange of good practices on gender equality

Reducing the gender pay gap

Berlin, 5-6 December 2011

Comments paper - Norway

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This publication is supported by the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013).

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Reducing the gender pay gap

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1. Introduction

The gender pay gap in Norway is similar to the situation in Germany and Austria. Norwegian women have a lower salary than Norwegian men. On average, women earn 85% of the income of men, when part-time work is counted for. The pay gap between women and men is mainly explained by the gender segregation within the educational systems and, as a consequence, also on the labour market. A higher share of women works within the public sector, whereas a higher share of men works within the private sector. The salaries within the private sector are higher than the salaries within the public sector and the pay gap between women and men is higher within the private sector, than within the public sector. For instance, among teachers in elementary schools, the pay gap between women and men was only 3 per cent in 2008. Women also work part-time to a higher extent than men. Of women 40 per cent work part-time, whereas the share is only 14 per cent among men (Statistics Norway 2010).

The right to equal pay is legally based on section 5 in the Norwegian Gender Equality Act. The Act states that women and men within the same company should have equal pay for the same work or work of equal value. In section 3 of the Gender Equality Act any differential treatment is prohibited. Based on section 1 in the Act, all employees have a duty to promote gender equality (Lov om likestilling mellom kjønnene). In addition to a robust Gender Equality Act, the Gender Equality and anti-discrimination Ombud and the Gender Equality and anti-discrimination Tribunal have an important role in monitoring how the Norwegian Gender Equality Act is followed in practice (Summary of the Norwegian report 2008).

Already when the Norwegian gender equality Act came into force in 1978, it included a section of that governmental authorities should emphasise gender equality. In 2002, the requirement was further enforced by the “activity obligation”; which means that all employers are obliged to actively work for gender equality. From the year 2009 on, the activity obligation also includes areas related to religion, ethnicity and functional disabilities. Also labour market organisations are obliged to actively work for and report on how they emphasise gender equality (Norges offentlige utredninger 2011).

Accordingly companies, private and public, are obliged to report on how they fulfil their activity obligation in their annual reports. Additionally, they are obliged to describe the factual situation with respect to gender equality (also religion, ethnicity and functional disabilities) (Norges offentlige utredninger 2011). In Norway, the annual reports are followed up by the Gender Equality and anti-discrimination Ombud, nevertheless the Ombud has no authority to sanction companies in cases of violations relating to the activity obligation. In this sense, the Norwegian model is similar to the good practice presented in the Austrian paper, however it does not in its current form present income statistics divided by gender as the Austrian model does.

2. Transferability issues

The main challenge is, however not, the lack of good practices, as shown in the Austrian and German cases, but how to really implement and enforce measures in order to enhance gender equality on the labour market. As seen in the German case, it is the voluntary perspective that explains the relatively low use of the Logib-D despite of that it is an important tool in order to make gender inequality visible. The Logib-D tool would be useful only if all companies would apply it, not just a selected group of companies. Hence, an implementation of the tool in Norway would have to include obligations in order to ensure that all companies would actively use the tool.

The Austrian model seems easier to implement: much of the reporting done in the model can be done within the reporting companies ordinarily do and the obligation to report gender specific income information is enforced by law, although the information is not made public. Also the requirement of information about the salaries offered in job advertisements and the access of income data for the Ombud for Equality seems to be rather easy to implement from the Austrian case. In the Austrian case it is emphasised that if the rules for advertising new jobs are not followed, first a warning and then a fine of 360 Euro is imposed. It is important that the obligation to produce an income report from the year 2014 also includes smaller companies with 150 employees or more. From a gender equality perspective it is also important that income reports include information on bonuses and commissions, as men more often have such incomes. For comparability it is important, that salaries are aggregated to full-time and full-year employment; all this is done in the Austrian model.

The Austrian model which report gender based income statistics is more efficient than the *current* Norwegian model based on the activity obligation, which does not include income statistics based on gender. Nevertheless, the white paper "Struktur for likestilling" (2011) and the new action plan for gender equality (Barne- Likestillings- og inkluderingsdepartementet 2011) propose that in private companies with at least 50 employees and in all public companies income statistics divided by gender should be presented in annual reports. The proposal also includes that companies are obliged to report measures they have done or are planning to do in order to increase gender equality. Also the control function is proposed to become more efficient in the new action plan. Hence, the Norwegian proposition in the new action plan for gender equality is a stronger model than the Austrian model in order to increase gender equality on the labour market.

The German Logib-D tool is significantly more ambitious than the Austrian model, nevertheless it is also more difficult to implement. The use of the Logib-D tool is voluntary, which seem to have hindered an effective implementation of the tool. Thus, the incentives to use the tool have not been effective enough. The results are not made public, which also limit the effects of the tool in increasing gender equality related to pay differences.

However, the most important question seems to be how the information from companies are used, despite of whether it is an income report or more demanding analyses based on the Logib-D tool. How are found income differences between women and men reduced in practice? In the Austrian model there are no real consequences of not following up found gender differences. This is also the case in Germany; due to the voluntary use of the Logib-D tool the effects of the tool on gender inequality is limited.

In the Austrian model the status of the income reports is that they are strategic documents and will be treated internally with discretion. Also employees are subject to confidentiality related to the income reports and may even get a fine of 360 euro in case of a breach. Such fines for employees are detrimental for reducing any found pay differences. Although, bodies representing the interests of employers, and other bodies such as the Ombud for Equality, will get access to the reports, the publicity is still highly restricted. In most companies, the Work council receives the reports, however in companies without work councils, the income report should be internally made accessible to employees. It is a problem that works councils and not the employees get access to the reports in cases where there are works councils within the companies.

A clear problem in the Austrian income reports is that they are highly internal and are not made public. This also makes the threshold higher for the employees to use them as measures to promote gender equality in specific cases. According to the Norwegian action plan to increase gender equality, gender based income statistics is to be included in the annual reports of companies, which automatically also makes the information public, as the annual reports are public information (Barne- Likestillings- og inkluderingsdepartementet 2011). Even if the possibilities made by the Logib-D tool are effective in that it takes account of several personal characteristics and information about the requirements in the job, the main problem is that it is complex to use, which also makes the implementation of the tool difficult. It is also a problem that the use is based on voluntarily activities, the information is internal and there are no legal consequences of any found gender inequalities.

The writer of the paper proposes relevant questions related to the Logib-D tool, some of them that are also highlighted in this comment paper:

There are/is:

- Limitations relating conclusions that can be drawn based on analyses.
- Voluntary participation limiting the effects.
- Problems of selection related to participation.
- A tolerance rate that should be calculated more specifically than just 5%, i.e. it should take account of the size of the company and the variance of the wage gap.
- Questions of whether analyses could be made more effective and more systematic, for instance by analysing correlations between remuneration structures and statistics of the companies.

3. Policy debate

One important policy taken in the work for gender equality in Norway is the use of quotas for gender balance on Public Limited Companies (PLCs) company boards. In 2003, four different company laws were amended with a requirement of at least 40 per cent of each gender in the companies' elected board of directors. The provision was enforced for PLCs, but not private companies. PLCs that do not follow the obligation can be forced to split. In 2002, before the change in the law, only 7 per cent of the

elected members of Public Limited Companies were women, whereas in 2009 the level was 40 per cent. The rules came into force in public companies the 1th of January 2004 with a transition period of 2 years. For PLCs the rules came into force 1th of January 2006 with a 2 years transition period (Struktur for likestilling 2011). In private companies which are not obliged by the regulation, the amount of women in company boards is only 17 per cent. The regulation of women in PLCs has been a focus of debate, related to whether the companies get the best qualified in their boards, when they have to consider the gender composition of the board. The gender equality law also supports mild positive discrimination: if two applicants of different gender are equally qualified, the applicant representing the underrepresented gender, should be chosen.

Despite of some powerful measures to increase gender equality in Norway, there is still work to be done. For instance, 40 per cent of women work part-time, whereas this figure is 14 per cent for men. Also the labour market and educational systems are gender segregated and the pay gap persists. As a consequence, in the new Action plan for Gender Equality the government suggests several new measures. One area of importance is increasing equality in combining family and work: it is for instance proposed that the father's quota of parental leave will be increased from 12 weeks to 14 weeks. Involving both women and men in child care is an important indirect measure to increase gender equality. Of the direct measures to increase gender equality the new Action plan proposes measures to decrease involuntary part-time work and measures to increase the amount of women as leaders in public companies and as board members in private companies (Barne, Likestillings og inkluderings-departementet 2011).

Sources:

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Lov om likestilling mellom kjønnene.

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