



European Commission
Justice

Exchange of good practices on gender equality

Reducing the gender pay gap

Berlin, 5-6 December 2011

Comments paper - Sweden

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

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe 2020 Strategy goals in these fields.

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Reducing the gender pay gap

Åsa Ljöfström

Umeå University, Department of Economics

Introduction

Why do women earn less than men? This very basic question has many researchers been engaged in the last decades. And they have made great contribution. That is why we are aware of the impact gender segregation in the labor market and in the education system has on female relative wages. We also know a lot more about the gender gap in career prospects, the so called "glassceiling" etc. The unbalanced workload between the spouses within the household and the disadvantages this may have for the female spouse and her economic future is also well-known by now.

Wage-differences are however not only referable to personal/individual qualifications and capacity but also to structural ones. While choice of education and job may be based on personal interest the existence of e.g. wage discrimination is a structural phenomenon. Because of this, the factors behind the gender wage gap have to be treated in different ways. Wage-setting is e.g. not just a matter of technicalities it is also about power.

The balance of power between employers' confederation and the trade unions has, at least in the Swedish case, been an important factor. Since employers and trade unions are expected to take active part in reducing the gender gap their contradictory interest in the labor market raises questions whether this may, or may not, harm the possibilities to reduce the gap. Does their interest for wages and level of wages in general overshadow a deeper interest for the gender perspective on this matter? If the answer is "no" the agreements between the two will most likely include women as well as a gender-perspective, but if the answer is "yes" political initiatives may be necessary.

The latter have so far been of primarily two kinds: (i) political reforms aimed at facilitate for women to be a permanent part of the paid labor and on same conditions as men and (ii) legislation and/or recommendations approved by the parliaments with the primary purpose to ban wage-discrimination and induce employers to take actions against unfair gender gaps.

Today these initiatives are recognised by politicians in all parties, employers, trade unions, men and women in Sweden and accepted as important tools to combat the wage-gap. But this did not happened immediately and without discussions. Different pressure groups, primarily consisting of women, outside the national and local parliaments have been crucial for the success that followed.

The case of Sweden

A **very brief description** may serve as an illustration on how to combat a gender gap more or less successfully.

Phase (i):

The interest for women's relative wages was very low until the 1950s and 1960s. But with more women entering the labor market it became obvious that a lot of them were heavily underpaid. The interest for this did primarily come from the trade unions but because of their strength (power) at that time there was impossible for the employers to neglect this critical fact. This made the coordination between the unions and employers a lot easier. The central agreements from the beginning of the 1960s until middle of the 1980s were therefore more gender-oriented than ever before and the result was clear-cut: The Swedish gender wage gap did diminish from an average of 40 percentage points to 20 during that period of time.

Phase (ii):

In the beginning of the 1980s the wage coordination between the unions and the employers was called in question. Two immediate results of this were that the coordination in some areas did come to an end and the previous focus on women disappeared. You may also say that the narrowing between men and women may have been a reason to question the actual policy. Anyhow this period did last until the end of the 1990s. Three very robust results appear from this period: a) The pure collective wage agreements did gradually lose its impact while individual agreements became more frequent, b) the average gender wage gap stopped to decrease at approximately 15 percentage points and c) new forms of combating the gender wage gap were invented and introduced.

Phase (iii): 2000-2008. This is the period for a real break-through for individual wage-setting. This replaces collective wage agreements, totally or partly, and individual negotiations at the workplace became usual. Parallel to this the new forms of reducing the gender gap, e.g. through comparable worth, was evaluated. Different kind of methods and instruments, developed by different agents, had been used and the results varied. The valuation was done at the workplace but also at a more general level. Some cases did attract specific attention. One of the most famous concerns a comparison of a midwife and a medicine engineer at the same hospital. The respective job-valuation did result in different opinions if the wages did mirror the result. The case was taken to the court which had to decide whether the wage-gap between the two jobs was in accordance with the result of the job-evaluation or not.

The robust result from this period is that the average gender wage gap is almost unaltered and at the same size as previous periods. There is however one aspect worth noticing: The general wage dispersion has become wider during 2000s and so has the dispersion within the female group. Most likely it is a consequence of the individual wage-setting.

Phase (iv): 2008 →: The most prominent legislation during the last years in Sweden concerns wage-mapping. This comprises the following: Every employer with **25 employees** and more must accomplish a wage-mapping **every third year**. This legislation was introduced already in the beginning of the 1990s but was rewritten in 2008. The change was quite drastic since in 1991 it stated that employers with **10 employees** and more had to accomplish this **every year**.

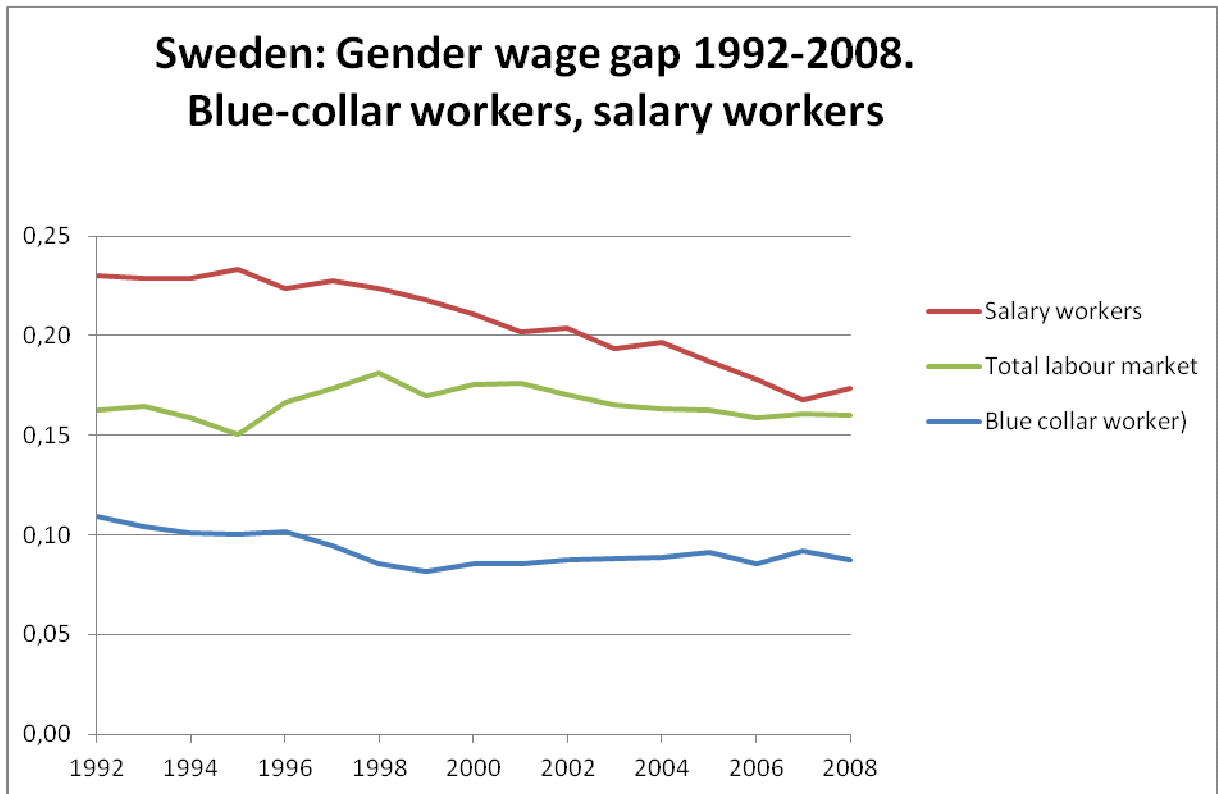
How much of this change is an effect of (i) the new political regime in Sweden 2006, (ii) a considerable concessions to the employers, (iii) pure practical reasons or (iv) lack of success for this measure is so far unknown.

Anyhow the explicit purpose with wage-mapping is to detect if any part of the wage differentials is based on sex. The concept of wage-mapping consists of three different steps: a) mapping, b) analysis and c) an action-plan. If the mapping shows sex-differentials and the analysis have shown that part of these is sex-related the employer has to take action to reduce the gap. In addition to that he/she has to make an action-plan to prevent future sex-related wage-differentials. This is also meant as a method for the enterprise to better learn about the actual wage structure within the company. This report/document has also to be delivered to the authorities as it will be used for follow-up studies in the future.

The robust results so far are that: (i) the knowledge of wage-structure in every single enterprise are much better today, (ii) lack of direct sanctions is probable one reason why the employers' response to this demand is far less than 100 percent and (iii) the gender wage gap is unchanged i.e. approximately 15 percent points.

Summary

The extraordinary reduction in the Swedish wage gender gap appeared already in phase (i) i.e before the 1990s. The effort trade unions and employers performed in coordination at that time were exceptional. After that the reduction in the average wage-gap has been nil or minor. This is of course a paradox not least because the interest for this issue has never been as big as it has been the last two decades. The figure below does however shows progress for the workers with salary. The gap has been reduced and is now in line with the average for the whole labor market. The trend for the blue-collar workers is more stabile.



Transferability issues

The models developed in Germany and Austria seem to be very much like the Swedish models. They are still complicated and it is up to the single establishment to carry them through. As mentioned above the impact these models have on the gender pay gap does vary. But one important and definite advantage they have had is that the knowledge about the participating company has improved. If this knowledge has been, or will be, used for improvements is quite another thing. The crucial point here is the cooperation between the union and the employer. As the German paper states: In both the west and east part of Germany “establishments with systematic wage gaps (more than 5 per cent) are less frequently bound to collective bargaining agreements”. “This negative correlation between wage gaps and collective bargaining agreements is thus confirmed.” This is a very important statement and must be considered more seriously not least in these days when the economic situation in the different EU countries is very fragile. The employment rates are falling and the unemployment rates are rising and as a consequence of that the size and system for rewarding women and men will most probably be object of changes in the future.