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Tackling the gender pay gap

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Tackling the gender pay gap in Poland

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1. Country context

The gender pay gap (GPG) and equal pay for equal work / work of equal value is not a prominent policy issue in Poland, although it is a substantial and persistent problem. The knowledge and analysis of gender differences in pay has increased, however there is still much scope for development in this area, especially in public debates. The assessment of the size of the GPG depends on the definition, sources of data, and estimation method used. The unadjusted (raw) hourly GPG is about 7.7 % of men's pay (SES by Eurostat) or 10 % of women's pay (LFS by GUS) and the adjusted value ranges between 16 % and 24 %. This level of inequality has been relatively stable over the last two decades, despite extensive economic restructuring, demographic changes (esp. falling fertility rates or delayed parenthood) and a substantial rise in the attainment of higher education qualifications among women overall and relative to men (Goraus and Tyrowicz 2014; IBS 2015). Addressing gender inequality, in pay or otherwise, requires sustained and evolving effort, commitment, and resources. Treatment of gender issues which fall outside family policies has been uneven over time or across agencies, but overall has weakened since the change of government in October 2015. Tackling the GPG should better reflect the underlying processes that lead to its emergence and persistence.

1.1. The gender pay gap in Poland

The GPG in Poland appears to be small as it is one of the lowest in the EU. According to Eurostat (Structure of Earnings Survey), **the hourly unadjusted (raw) GPG** (the difference between average gross hourly earnings of male and female employees as percentage of male gross earnings) in 2014 for the economy as a whole was 7.7 % - compared 4.5 % in 2010 or with 16.1 % in the EU-28. Disaggregating the figure by economic activity shows that the gap in Poland is widest in the financial and insurance sector (36.7 %) and in construction it is reversed (-11.4 %), on average women have higher hourly wages in this sector than men. The gap is wider in the private (17.9 %) than in the public sector (3.9 %). Finally, there is a difference by working time, higher (10.6 %) among part-time than among full-time (7.5 %) workers (Eurostat 2016).

The Polish structure of earnings survey conducted by GUS every two years (recent in October 2014) shows that men's **average hourly gross pay** was 13.9 % higher than women's, with the gap widening to 20.6 % for **average monthly gross pay**. The gender composition of earners in the lowest (1st) decile is relatively even at 9.5 % women and 10.5 % men, while that in the highest (9th) decile shows a large disparity at 6.5 % women and 13.3 % men (GUS 2015). Access to low-paid jobs is thus easier for women than to high-paid jobs. Increasing employment of women, especially if it occurs at the lower end of the income distribution, will have implications for widening the GPG if the income distribution will not narrow

(especially by raising the bottom levels) and if women will continue facing barriers in career advancement.

Substantial differences in the size of the gap emerge when it is adjusted for observable individual and context characteristics. Analysis of the Polish quarterly labour force surveys (IBS 2015) using the Nopo (2008) decomposition method shows that **the hourly adjusted GPG in Poland** controlling for age, education, region, job tenure, and employment sector has remained high throughout the transition period. Since 1995 it has not fallen below 15 %. Another study (Goraus and Tyrowicz, 2014) confirms that there is no decreasing trend throughout the years 1995-2012 where, on average, the 20 % adjusted gap remained about twice the size of the raw gap of 9 %.

Decompositions generate interesting findings. In some **sectors of the economy**, the adjusted gap is smaller than the raw gap – for example in financial activities, suggesting that the raw differences overestimate pay inequality because disparities in pay can be explained by differences in individual or contextual characteristics (NB: these themselves often result from gendered processes). But, the situation is reversed in education and in health – the two most feminised sectors, where the adjusted pay gap is higher than the raw gap, suggesting that a supply of women with high qualifications is associated with greater pay inequalities (IBS 2015). Similarly, Oaxaca-Blinder decomposition on the Polish 2010 structure of earnings survey shows that women, on average, have better characteristics. Since women possess those traits that are normally associated with higher productivity, and thus should generate higher remuneration, it is women who should be earning higher wages than men (Śliwicki and Ryczkowski 2014). The issue of pay and productivity needs to be thus discussed along the issue of equal pay / work of equal value as well as a broader debate on the social value of different kinds of labour, such as in care.

Interestingly, the GPG is not explained by the differences in **subjects studied**. Whilst some degrees are more feminised (social sciences, economics, law) than others (engineering, manufacturing processes, construction), these differences do not account for the gap. Specifically, while the average GPG is 9.5 %, that adjusted for a number of variables (such as age, level of education, place of residence, marital status, professional experience, or the presence of young children in the household) widens to 17.5 %, and additional inclusion of education by subject widens it to 18 %. Furthermore, the adjusted hourly GPG in Poland is among the lowest in EU in the **public sector**, and among the highest in the **private sector**. Taking into account **additional pay and bonuses** demonstrates that while women receive such additional remuneration more often than men, their level is so much lower that it contributes to widening the GPG to 30 % (IBS 2015).

A study into the role of **parenthood** in determining wages reveals that parenthood comprises a significant part of the gender pay gap, with the cost of motherhood in Poland being quite high and in contrast to the fatherhood premium for men. However, it is more the **marital status** (rather than parental) that affects the earnings of men and women (Cukrowska and Lovász, 2014).

The gender earnings gap also exists in the **informal labour market** in Poland, although it is different from formal employment. Among informal (unregistered) workers, the gap is wider at the bottom of the earnings distribution, which contrasts with the wider gap at the top of the earnings distribution among formal (registered) workers. The inapplicability of minimum wage regulations and working conditions

and hours of work partially account for the worse situation of low-income women in the informal sector. The gap among informal workers would have been wider if women had men's characteristics because women tend to be better educated than men also in the informal economy (Rokicka and Ruzik 2010).

In sum, the above studies show that the unadjusted GPG is an insufficient measure of gender based inequalities in pay and of the extent of labour market discrimination. In Poland, the GPG cannot be explained by differences between men and women in observable characteristics. In fact, the gap widens once these are controlled for. Furthermore, studies or inspections (e.g. by NIK in the public sector) show that differences in pay, even if substantial, occur because of differences in responsibilities, position held, greater representation of men in more senior posts. In such analyses, however, the absence of 'direct discrimination' needs to be distinguished from the GPG and unequal position of women and men in the labour market.

1.2. The socio-economic context

The Polish economy has been experiencing stable growth above the EU average. Employment rates have been on the rise again since 2013, but in 2015 for the age group 20-64 at 67.8 % (74.7 % for men and 60.9 % for women) they remain below the EU average of 70 % (75.8 % for men and 64.2 % for women). Part-time employment is not prevalent since 6.6 % of total employment (3.9 % of men and 9.8 % of women) is on part-time basis. Unemployment rates returned to pre-crisis levels and in 2015 were at 7.5 % (7.3 % for men and 7.7 % for women) (Eurostat 2016). The labour market is highly segmented where the main form of flexibility is delivered via temporary contracts, of which civil contracts (not subject to the Labour Code regulations) form a substantial proportion. The high prevalence of temporary contracts – 28 % of employees (with a similar proportion of men and women) have a temporary contract (Eurostat 2016) – is a factor in the limited bargaining power of workers and a decentralised wage-setting system. Poland has one of the lowest densities of trade union coverage among EU Member States and tripartite negotiations have not been strongly embedded in the industrial process. The new Social Dialogue Council was established in October 2015 (replacing the Tripartite Commission for Socio-Economic Affairs functioning since 1994), which includes the government, employers and workers' organisations agreeing changes to the level of minimum wage. Given a frequent lack of unanimity, the statutory minimum wage (set at a monthly rate) is frequently unilaterally determined by the government. An important development in the context of flexible employment contracts is the establishment of a new hourly minimum wage of PLN 12 (approx. 2.8 EUR) legislated in January 2016 (taking effect in January 2017), covering also those working on civil law contracts.

The GPG must be looked at in conjunction with other indicators linked to the labour market, in particular those that reflect different working patterns of women and men. Of these, care provision is paramount. Poland has vastly improved the availability of early childhood education and care for children between 3 years of age and school age – participation of 3-5 year olds increased from 52.7 % in 2008 to 79.4 % in 2014. But coverage rates for under 3 years of age, while improved – from 2.6 % in 2008 to 5.9 % in 2014 (based on GUS) or to 9.1 % including all care forms (nursery, children's club, child-minder, and nanny, based on MRPiPS as of October 2016) – remain low. The last one is especially relevant given that paid parental leaves have been extended to up to 52 weeks in case of a single birth (up to 71 weeks in case of a multiple birth) at a relatively high income replacement, and while the majority of

the leave could be taken by mothers or fathers, it is women who mostly do so – in 2015 about 350,000 women took at least part of the parental leave in comparison with only 4,700 men (ZUS 2016). Since long, parental leave schemes are associated with declining wages for high-skilled women and greater occupational segregation (Akgunduz and Plantenga 2013), the impact of these reforms may be negative in relation to the GPG.

2. Institutional context and policy debate

The GPG is a present, but not a strong or consistent feature in national level policy debates in Poland, or within the institutional wage-setting mechanisms. Gender equality is enshrined in the Polish Constitution in which Article 33 states that women and men have equal rights in family, political, social and economic spheres. In particular, women and men have equal rights to education, employment and promotion, **equal pay for work of equal value**, social security, holding of office, and fulfilling functions as well as receiving public recognition and honours. Article 18^{3c} of the Labour Code stipulates the right to equal pay for equal work or work of equal value, where pay includes all aspects of remuneration. Currently activities oriented towards counteracting the GPG are the responsibility of two governmental units: the Government Plenipotentiary for Equal Treatment (PRRT) and the Ministry of Family, Labour, and Social Policy (MRPiPS).

Over the last few years, the main national institution responsible for gender equality has been the **Government Plenipotentiary for Equal Treatment** (*Pełnomocnik Rządu ds Równego Traktowania*) established in April 2008 and regulated by the Equal Treatment Act (Dz.U. 254/ 1700, 2010). Its remit included equal treatment with respect to gender, race, ethnicity, nationality, religion, faith, worldview, disability, age or sexual orientation. The office of the Plenipotentiary was well placed to initiate government action of relevance to gender pay gap, and instigated a number of initiatives in 2013. One was a seminar gathering together academic and policy actors as well as personnel from the Central Statistical Office (GUS) and social partners to work out effective instruments to monitor and prevent wage discrimination. Given that there was no effective monitoring system in place, the debate focused on collecting information on the extent to which employers abide by the legal framework and recommended that the Supreme Audit Office (NIK) carry out inspections of men's and women's incomes occupying the same positions in central, regional and local administration and state agencies. In 2013, NIK published a report from the inspection based on 120,000 individuals employed in the public sector, which found an 11 % gap in similar positions. The report, however, did not analyse a sufficient number of characteristics at the same time, and so did not compare like with like (IBS 2015).

A second initiative, together with the Ministry of Labour and Social Policy (MPiPS), was a roundtable of EU equal treatment ministers conducted during a Congress of Women. The conclusions reached focused on the need to implement existing regulations and monitoring of the gender pay gap, as well as on the need to promote equality on the labour market, with all activities involving the social partners.

Another example of engagement with the GPG at the policy level was a seminar organised by the MPiPS (Equality between Women and Men Section in the Department for Economic Analysis and Forecasting) in 2013 on 'Monitoring methods of pay differences between women and men'. This seminar, with delegates from

Germany, included participants of the Ministry, Institute of Labour and Social Policy, Central Statistical Office, Chancellery of the Prime Minister, University of Warsaw, Institute of Public Affairs, 'Solidarność', and NGOs. The main goal was to present a new tool for calculating wages and a system for auditing, developed to reduce pay differences for women and men performing work of equal value.

In 2013 the office of the Plenipotentiary published a **National Action Plan for Equal Treatment 2013-16** (PRRT 2013) in which it discussed the GPG and noted the importance of comparable worth. The NAP presented a specific objective 1.5 'Eradicating differences in wages of women and men for work in the same positions and work of equal worth and quality (limiting the wage gap)', with a list of four specific tasks. These are: (1) developing methodology to assess wage gaps in companies; (2) instigating and disseminating monitoring and evaluation of national regulations on equal pay by relevant state institutions (NIK, PIP, RPO); (3) analysing international laws monitoring the wage gap; (4) promoting the issue of pay equality between women and men for same work or work of same value (PRRT 2013: 77). The MRPiPS and the Plenipotentiary for ET were to report annually on their implementation.

As government agency, the Plenipotentiary for ET is influenced by party politics as well as the priorities of the Minister in charge of the office. The policy priorities have changed after the last general election, with the new PiS government (in power since October 2015) establishing a new position of the Government Plenipotentiary for **Civil Society (CS)** together with the post of Plenipotentiary for **Equal Treatment (ET)**. Both areas are represented by the same person, and the homepage of the office points to one organisational unit. While prominence given to civil society issues is a good development, equal treatment matters have receded from focus. In March and August 2016 the **Commissioner for Human Rights** urged the Plenipotentiary to address recommendations of the Committee for the Elimination of Discrimination against Women of 2014 and provide information on the implementation of the programme combatting discrimination against women (RPO 2016). At the time of writing this comments paper, the Plenipotentiary has not yet responded. A change in priorities of the office coupled with deterioration of the tone and content of public debates surrounding equal treatment issues (reported in the media, e.g. *Gazeta Wyborcza* 2016; *Wiadomosci* 2016) signal a significant departure of policy direction from the activities of the previous (pre-October 2015) office. The importance of these developments goes back to the transposition of EU Directives 2000/43 and 2000/78 requiring the establishment of an independent equalities institution, which in Poland was fulfilled via the Commissioner for Human Rights, not the Plenipotentiary for ET. But only in September 2015 did the Commissioner establish a deputy post responsible for equal treatment issues. In this new context, the HR Commissioner and the Deputy for ET explicitly raised the problem of the GPG at the 2016 Congress of Women, and related it to gender differences in reconciliation of work and family roles.

Frequent organisational changes, the issue of independence from governing party politics, and under-resourcing all impact the level and scope of policy debate, as well as consensus building and realising synergies across governmental and non-governmental units in this policy area. The sharp turn about on gender policy is not, however, reflective of the entire government administration.

The **Ministry of Family, Labour, and Social Policy** (MRPiPS) – renamed from the Ministry of Labour and Social Policy – does have a position for Equality between Women and Men in the Labour Market. The MRPiPS recognises the problem of gender inequality in the labour market and promotes activities to reduce the gender

pay gap and promote pay transparency. It continues a number of initiatives developed over the last few years (MRPiPS 2016 website and email communication). Among them:

- participation in the European awareness-raising campaign Equal Pay Days annually since 2012;
- formation of an informal pay gap working group, comprising of members of academic, non-governmental, business communities and Ministry employees (since 2012);
- efforts to develop a relevant tool for a reliable measurement of the pay gap;
- national and international meetings and seminars discussing the pay gap problem and ways of addressing them (see example from 2013 above);
- cooperation with the Cologne Institute for Economic Research, the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth, and the European Commission on a project promoting an interactive internet tool 'equal paceE' allowing companies to monitor and analyse their pay structures; a Polish version of this free, online tool was launched and promoted through training sessions in 2015 (<http://www.equal-pace.eu/polska/>; IBS 2015b).

3. Transferability

The main features of the Belgian 2012 GPG Law include five national-, sectoral-, and company- level practices: (1) discussion of the GPG in the Technical Report of the Central Economic Council; (2) monitoring job classifications for gender-neutrality; (3) creation of company social balance sheets (working hours, labour costs, training opportunities – by gender); (4) biannual reporting of pay structures in companies with more than 50 employees; (5) designating a function of a mediator among employees, in companies with 50 or more employees (Vandekerckhove and Knipprath, 2016)

There is much scope for Polish policy debate and action to adopt elements from the Belgian approach. The first item – a detailed discussion of the gender pay gap in a central level document, which would then have to be taken into account in national and sub-national/company policies – would give the problem of unequal pay a clearer place and prominence on the policy agenda, would facilitate discussions on the underlying causes and consequences of the gender pay gap, and would enable development of appropriate ways of addressing them. To this effect consistent institutional commitment is key. The second element – monitoring job classifications, in combination with developing comparable worth procedures – is capable of uncovering existing gender biases in the processes underpinning the labour market, and thus raising awareness of the extent to which differences across occupations or positions are associated with inequality and potentially discrimination. The last three elements offer an opportunity to establish company level obstacles or identify examples of good practice capable of redressing the GPG from the bottom up. But the company level can mainly focus on differences in pay that are discriminatory, and thus address the problem of unequal pay for equal work or work of equal value. Having a single employee in the role of mediator may be insufficient in effecting change, and without any legal / institutional support, such position may not only be

weak but also vulnerable. A different model – e.g. external mediation in regional Equal Treatment offices, or through representatives of social partners or non-governmental organisation might be considered as an alternative.

While many elements of the Belgian law appear attractive from a Polish perspective, the weaknesses identified in the Belgian case would be exacerbated in Poland. A major challenge is the recognition of gender based labour market inequalities, including the GPG, as a serious issue in public debates and policy agenda. Another is the uneven power and commitment of social partners, which makes consensus difficult to reach. Finally, a lot of emphasis is put on processes occurring at the company level. Poland has a high proportion of small enterprises and any additional processes of monitoring, reporting, and developing company level policies might encounter resistance due to the resources required for such activities to take place.

4. Recommendations

First, policy measures require a two-track approach where the specific instruments are firmly embedded in a more holistic framework. After decades of research into the GPG, especially since the 1970s since the decomposition methods were developed, we still need **better knowledge** – a more nuanced picture of the character of the GPG to better understand the causal processes that give rise to it or contribute to its persistence. This is relevant in particular national setting as well in cross-national perspectives. Second, such knowledge needs to then be **better disseminated** – the current practice of reporting of the unadjusted GPG among EU Member States is insufficient – it should be the first, not last, step if it is to contribute to policy. This would be important in consensus building. Third, **ownership and accountability** for the GPG needs to be specified. EU-level commitments to eliminate the GPG go back to the Treaty of Rome (1957), several decades later this is still a serious issue – especially if we take into account also the gender gap in pensions which stands at a staggering 38 % across the EU (EIGE 2015). National legal instruments – whether Constitutional guarantees or Labour Code regulations – are clearly inadequate. To this effect, development and implementation of policy through **well-resourced, stable and committed** institutions are necessary – both within the government but also independent from it (a long-standing issue in Poland). Inclusion and participation of a wide range of actors beyond formal institutions is key.

Direct and indirect mechanisms must be in place to eliminate the GPG. These should tackle both ends of the problem – the causal processes leading to labour market inequality (e.g. gendered social roles, discrimination) of which the GPG is one indicator, as well as their consequences. Direct measures include strong institutional mechanisms prohibiting discrimination in wage determination (including remuneration over and above basic pay), monitoring of practice, remedial action. In particular small companies need to be supported in developing equal pay practices. Indirect measures include a development of better social awareness of gender inequality in the labour market, including differences in reconciliation of paid work with unpaid care.

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