



European Added Value Assessment

Application of the principle of equal pay for men and women for equal work of equal value

An assessment accompanying the European Parliament's
Legislative own-Initiative Report (Rapporteur Edit Bauer, MEP)

European Added Value Assessment

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**on the application of the principle of equal pay
for men and women
for equal work of equal value**

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In May 2012, the European Parliament adopted a resolution based on a legislative initiative report on equal pay (the Bauer report)¹, calling on the Commission to review Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation before February 2013. In its official response to this report, the Commission indicated that it did not intend to review the directive to address the specific causes of the current gender pay gap within the time period specified, but would instead draw up a report reviewing the practical implementation of the directive at national level, which would be presented in the first half of 2013.

In view of this response, in November 2012, the Committee on Women's Rights and Gender Equality asked for a European Added Value Assessment to be prepared as a follow-up and to provide additional justification for the legislative initiative report.

The arguments in favour of revising the equal pay Directive are set out in detail in this European Added Value Assessment. It draws on expert research commissioned specifically for the purpose and provided by:

- Dr Juliet Webster (Director, Work and Equality Research, London) - on the social effects,
- Dr Usman Khan (Modus Europe), Catherine Rickard, Stefan Speckesser, Stefanie Ledermaier and Andrea Broughton (Institute for Employment Studies) and Jacque Mallender (Matrix Insight) - on the economic effects of the requested legislative instrument
- Cultura e Lavoro, Rome, with research from Michele Faioli and Simona Vlad (University of Rome "Tor Vergata" - Italy) - on the legal aspects.

Abstract

Women across the European Union bring home 16.2% less than their male counterparts in the EU. This figure is more than just a statistic: it has real-life consequences for the women concerned, for their families and for society at large.

The European Parliament firmly believes that reducing the pay gap remains a political priority. It is not only about economic empowerment, it is also a matter of social justice.

This EU Added Value Assessment supports the European Parliament's view and takes the view that reducing the gender pay gap, in particular by revising Directive 2006/54/EC, could be very beneficial, not only for individuals but also for society in general. It would help achieve inclusive growth and ensure economic and social cohesion and competitiveness, in line with the objectives set in the Europe 2020 Strategy.

¹ European Parliament resolution of 24 May 2012 with recommendations to the Commission on application of the principle of equal pay for male and female workers for equal work or work of equal value (2011/2285(INI)), *Texts adopted*, P7_TA(2012)025.

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Executive Summary

Despite the fact that the principle of equal pay has been enshrined in the Treaties since the very beginning in 1957², progress has been very slow and disappointing.

The slow rate of progress in closing the gender pay gap **shows Directive 2006/54/EC, at least in its current form, to be ineffective**. This is why **the European Parliament, in the Bauer report, called on the Commission to revise the directive**.

The European Parliament firmly believes that the principle of equal pay should not only be accepted as a 'principle' but also effectively implemented in practice. The fact that the Union has been taking action to address this problem for more than 50 years without eliminating it means that it is now time to take more incisive, legislative action.

The European Parliament has been a constant critic of the persistent gender pay gap in Europe³. It has called for practical steps to be taken to implement the principle of equal pay for equal work and expressed regret that the European Commission has not yet come forward with a legislative proposal on the subject.

The overall objective of this EU Added Value Assessment is to provide a measure of quantitative analysis as well as a qualitative assessment of the recommendations contained in the Bauer report.

In particular the aim is:

- to assess the social added value of the recommendations, in relation to existing practices and the need for further action;
- to look at the economic impact of the gender pay gap on Gross Domestic Product (i.e. the extent to which the reduction of the gender pay gap may increase economic growth) and in relation to specific recommendations included in the Bauer report.

This assessment argues that measures to bridge the gender pay gap should be considered an investment rather than a cost. What we pay today will generate returns for the economy as a whole in the medium and long term by reducing the inefficiencies associated with inequality.

² Article 119 of the Treaty of Rome. Currently the principle of equal pay is recognised in Article 157 of the Treaty on the Functioning of the European Union (TFEU).

³ European Parliament resolution of 18 November 2008 on the application of the principle of equal pay for men and women, OJ C 16 E, 22.1.2010, p.21

Indeed, closing the gender pay gap will:

- improve women's financial well-being but also the well-being of their partners and children,
- reduce the likelihood of women's poverty in retirement,
- reduce the likelihood of women being subjected to domestic violence⁴ and,
- increase the contributions to tax and social systems.

In particular, **recommendations included in the Bauer report could help reduce the gender pay gap**, which in turn could have a positive impact on EU gross domestic product (GDP) growth. It is estimated that each **1 % reduction in the gender pay gap would result in an increase in GDP of 0.1 %**.

What does 'gender pay gap' (GPG) mean: the nature of the problem

According to Eurostat⁵, the gender pay gap refers to the difference in average wages between men and women⁶. It is an important indicator that is used not only within the European employment strategy⁷ but also as a key factor in gauging the wellbeing of both individuals and society as a whole.

The gender pay gap officially refers to the 'unadjusted gender pay gap', which is the figure obtained before adjustments are made to account for specific characteristics, such as those relating to individuals (e.g. age, education, number of children, type of occupation) and those relating to occupations (e.g. economic sector, place of employment, existence of collective agreements, etc.). Some of these characteristics, however, may themselves be the result of gender discrimination (occupational and industrial segregation, for example)⁸.

Once all the above factors' contributions to the gender pay gap have been set aside, the remaining factors constitute the 'discriminatory' element, possibly due to stereotypes.

The gender pay gap is linked to a number of legal, social and economic factors that go far beyond the single issue of equal pay for equal work or for work of

⁴ The impact of women's position in the labour market on pay and implications for the UK Productivity, Professor S. Walby and Dr W. Olsen

⁵[http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Gender_pay_gap_\(GPG\)](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Gender_pay_gap_(GPG))

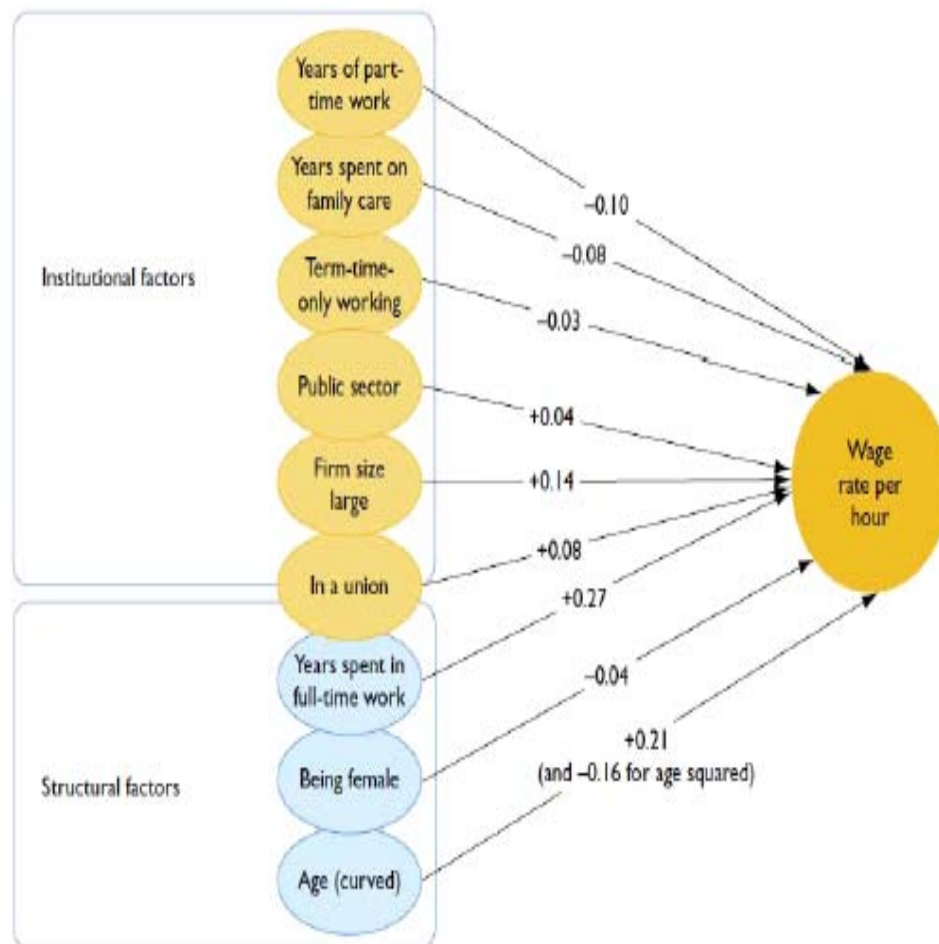
⁶ Since 2006, the EU GPG has been calculated annually by the European Statistical System: http://epp.eurostat.ec.europa.eu/portal/page/portal/pgp_ess/ess/ess_news

⁷<http://ec.europa.eu/social/main.jsp?catId=101&langId=en>

⁸ For instance, it is not clear why even in sectors in which more women than men are generally employed (e.g. healthcare and teaching) their pay is much lower than in other sectors and occupations: this too may be the outcome of gender discrimination rather than simply a structural issue.

equal value. The **causes of the gender pay gap are multiple, complex and interrelated**. These include (but are not limited to) vertical and horizontal segregation, women's work being undervalued, uneven distribution of caring responsibilities, opaque pay systems, and the fact that women often build up shorter periods of professional experience owing to more frequent interruptions, etc. (see details in Figure 1).

Figure 1 - Summary of the drivers of the pay gap⁹



This is the reason why, from a policy point of view, academic research emphasises that in order to close the gender pay gap, different factors need to be considered and addressed properly. These factors include differences in activity and employment rates, differences in wage structures, differences in the composition of the workforce and differences in the remuneration that men and women receive, as well as other macroeconomic and institutional factors. All these factors are likely to have an impact on the gender pay gap and might help

⁹ Source: Olsen, Gash, Vandecasteele, Walthery and Heuvelman, 2010

explain a significant proportion of the differences in pay gaps across different countries. A number of other factors also need to be taken into account, for example those relating to welfare arrangements and the situation relating to gender in different EU Member States¹⁰.

It is even more important to note, however, that **no matter how we evaluate the data, the pay gap remains**, even after factoring in the kind of work people do, or qualifications such as education and experience.

In other words, **pay discrimination is a real and persistent problem** that continues to be detrimental to European (and not only European) women and their families.

A complex phenomenon requires a multi-level, multifaceted approach

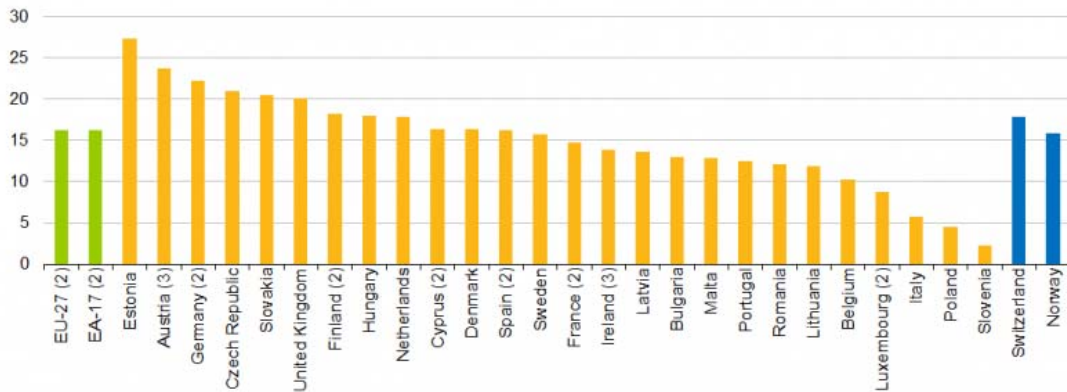
The gender pay gap is often described as a complex phenomenon because the reasons for its existence and size are varied and may differ considerably from one Member State to another. For instance, an obvious factor affecting equal pay differences across Member States is their policy framework for equality. Legislation on equality between women and men in society generally, and in the workplace specifically, clearly has a role to play in ensuring progress towards equal pay.

The complex, multi-faceted nature of the gender pay gap also has an impact on the statistics. The latest figures show that **women across the EU are bringing home 16.2 % less than their male counterparts in the European Union¹¹** (EU - 27) as well as in the euro area (EA-17). The gender pay gap varied by 25 percentage points across the Member States, ranging from 2 % in Slovenia to 27 % in Estonia (see Figure 2).

It is interesting to note that low national gender pay gap levels do not necessarily mean that women workers are in a good position in the national labour market concerned. It might mean that there is a low female employment rate. For example, Italy reported quite a low GPG, but actually had one of the lowest female employment rates in Europe. In such countries policies generally tend to encourage women to enter the labour market, rather than addressing the gender pay gap.

¹⁰ Welfare systems may appear to be gender-neutral, but they are in fact redistribution systems which reflect social priorities in different countries, and can reinforce or compensate for gender differences. For more details, see the attached research paper by Juliet Webster, Director of Work and Equality Research, London.

¹¹ Data as at March 2013.

Figure 2 - The unadjusted gender pay gap, 2011

(1) Enterprises employing 10 or more employees; NACE Rev. 2 B to S (-O).

(2) Provisional data; EU/EA aggregates excluding Greece

(3) (IE) 2010 data; (AT) estimated data

Source: Eurostat (tsdsc340)

There are varying degrees of success among the Member States when it comes to narrowing the gender pay gap. In some Member States, the gender pay gap is actually getting wider (see Figure 3 below). Others are seeing a reverse trend in specific sectors. In the Netherlands there is a reverse trend in lawyers' pay: women earn a higher average hourly wage, as they tend to enter the labour market earlier and achieve higher grades at university. After the age of 30, though, the pay gap falls back into its usual pattern, with male lawyers earning considerably more than their female colleagues.

Figure 3 - Examples of widening of the gender pay gap in EU Member States¹²

- EU-SILC data show that in Austria the gender pay gap has widened since the mid-1990s, mainly as a result of a surge in female part-time employment.
- After it had narrowed somewhat, the gender pay gap in Hungary has opened up again, with public sector pay being a particular area for concern.
- In Bulgaria the gender pay gap is beginning to get narrower, with inequalities being addressed, but there is a continued lack of respect for the legal norms on equal pay, particularly among employers in the private sector, SMEs and micro-businesses.

Many Member States have adopted legislation to address the gender pay gap in line with the requirements laid down in the EU legislation in the field. All Member States have legislation laying down the principle of equal treatment of women and men as regards access to employment and working conditions.

¹² Source: European Network of Experts on Employment and Gender Equality issues (EGGE Network)

Some Member States, including Finland and Spain, also make specific legal provisions – or have implemented specific action plans – to address the gender pay gap. Cultural differences are also important. In the EU, the Nordic countries have traditionally been relatively advanced in their public policy approaches to equality. Women’s labour market participation in those countries has generally been higher than most other Member States, and childcare has been treated as a task of the welfare state. For example, the Nordic Member States (Finland, Denmark and Sweden) are among a handful of countries offering guaranteed access to childcare for under three years old¹³.

In certain cases, national legislation has introduced obligations. Research has found that creating obligations generates motivation with regard to closing the gender pay gap. If obligations are created, the concern for equality becomes a more proactive than reactive approach when complaints of unfair treatment are received. For instance, a system based on obligations enables equality organisations to launch their own investigations and require employers to be proactive (for example, some employers take the opportunity to change while others are encouraged to take action because of a legal requirement).

Figure 4 - Examples from EU Member States

United Kingdom

The "gender duty" on public authorities, which came into force in 1997, places a legal responsibility on all government ministries, departments and public bodies to work to eliminate unlawful discrimination and promote equal opportunity for men and women. Thus, instead of reliance on individual complaints about discrimination to drive reform, public bodies are required to be proactive in promoting equality and preventing discrimination.

France

French businesses which have not taken any action to tackle the gender pay gap through collective agreements or unilateral action plans may be fined up to 1 % of their payroll costs from 1 January 2012. Although a great deal of legislation on this issue has been adopted over the past decade, there are still inequalities in France. France’s lawmakers are hoping to remedy this situation by introducing a requirement for companies with 50 or more workers to report annually on the comparative status of employment and training for both sexes¹⁴.

¹³ For more details see annexed research paper from Juliet Webster, Director of Work and Equality Research in London.

¹⁴ Source: <http://www.eurofound.europa.eu/eiro/2011/12/articles/fr1112011i.htm>

The need for intervention at EU level

There has, to date, been considerable variation in the approaches the Member States have taken to closing the gender pay gap. The degree of development of policy and practical commitment to closing the pay gap is very uneven across Member States, and many different strategies are being used in the attempt to do so.

Some Member States take a legislative approach, while others are more reliant on social dialogue, or on technical solutions such as job evaluation schemes, new systems of job classification and tools for mapping pay or pay discrimination in businesses. Others still favour awareness-raising and good practice guidance.

The measures pursued in the Member States often lack force. There is very little by way of compulsion on employers and employers' associations to close the pay gap through their actions. The actions taken generally involve promotional and awareness-raising activities, or voluntary actions. Although such actions are valid enough, experience has shown that they are ineffective in guaranteeing that awareness is raised and action taken¹⁵.

Voluntary measures place considerable emphasis on the willingness of stakeholders (e.g. employers' organisations, institutions and individuals) to make fundamental changes to the ways in which they address the interrelationship between work and reward. **Not all stakeholders have been willing to do this so far, and there is no reason to believe that this situation will change.**

Similarly, approaches consisting of measures tackling one or another cause of the pay gap in isolation have not proved adequate. The Bauer report stressed that because the causes of the gender pay gap are complex, multiple and often interrelated, going far beyond the single issue of equal pay, attempts to bridge the gap should also be made at different levels (EU, national and local) and in close cooperation with all those involved.

This approach is also supported by the extensive literature on the subject, which argues that both legislative and non-legislative measures are necessary in order to tackle such a complex issue. Indeed, **experience has shown that good practices or soft law measures alone rarely serve as incentives, and that the expected peer learning effect does not materialise.**

¹⁵ For example, the persistent gender inequality in science, technology, engineering and mathematics (STEM) courses and careers has been a cause for policy concern for well over 30 years, and has been the subject of numerous awareness-raising campaigns. Yet none of those campaigns has been demonstrably successful in changing fundamental social structures and practices. J. Webster (2011), *Changing the landscape of women in science, engineering and technology: the experience of the UK*, Brussels Economic Review, 54, 2/3: 341-359

Research found that the factors that are most likely to encourage action to tackle the gender pay gap are not in fact business drivers, but 'push' factors, such as **employee complaints, equal pay cases and legislative requirements**¹⁶.

It seems quite clear that higher-level, concerted action is needed in order to avoid piecemeal policies, though this action must be designed to be sensitive to the different contexts to which it is applied. European-level action to close the pay gap would have a series of multiplier effects extending well beyond the immediate benefits of better pay and reduced levels of in-work and pensioner poverty.

The slow rate of progress in closing the gender pay gap **shows Directive 2006/54/EC, at least in its current form, to be ineffective**. This is why, **the European Parliament, in the Bauer report, called on the Commission to revise the directive**.

Figure 5 - Summary of the expected general benefits of strengthening EU legislation

- Promotes stronger action in Member States where activity is weakest or where particular effort is needed to close the gender pay gap
- Promotes a more systematic approach to the issue in more Member States, by requiring measures to be taken across interconnected social spheres (such as in education, vocational training provision, professional development, childcare and social care), and discouraging piecemeal approaches to the issue
- Will require planning by Member States to develop measures appropriate to the particular causes of the gender pay gap in their contexts
- Promotes more robust monitoring and evaluation of action on the basis of Member States' accountability for closing the gap
- Promotes longer-term and more sustained action, which is always essential to address highly entrenched systems of social or cultural practice
- Will require sharing of experience and expertise between Member States
- Builds political commitment by recognising or rewarding Member States for effective action on this issue, in the same way as they are currently rewarded for fiscal prudence

Closing the gender pay gap is not a cost, it is an investment

Less 'hard' European legislation has been adopted in the field in recent years, and there has been a greater emphasis on softer approaches. In encouraging the use of gender mainstreaming, targets and country recommendations, these softer approaches implicitly recognise the inherent value of gender equality. However,

¹⁶ Equality and Human Rights Commission, Gender pay activity in large non-public sector organisations – Baseline report 2009.

the challenge remains to raise the profile of gender equality and make the economic case for it explicit and thus central to economic policymaking¹⁷.

The gender pay gap is generally recognised as a problem to be solved, but **it is sometimes thought that any concrete solutions might clash with wider economic goals because they will incur costs or involve additional regulation for businesses.**

However, this short-term perspective fails to recognise that **the gender pay gap itself has economic costs, and that these costs are damaging not only for individuals, but also for the economy at large.** Ultimately, the gender pay gap will intensify social inequalities, which also cost society dearly.

This EU added value assessment argues that **closing the gender pay gap is an investment rather than an expense.** What we pay today will ultimately be beneficial for the economy as a whole as it will reduce the inefficiency associated with inequality.

While good practice at company level can bring some benefits for the women concerned, to a certain extent it also creates inequalities among women, depending on whether they are lucky enough to work for a wise employer. If a step is taken upwards from company level and introducing legislation, investment will no longer be something that stems solely from a small number of businesses, and synergies will be created for the benefit of society at large.

The National Centre for Social and Economic Modelling (NATSEM) at the University of Canberra has found that the pay gap between men and women (estimated at around 17 %) **costs the Australian economy AUD 93 billion each year.**

NATSEM also estimated that the Australian economy could grow by 0.5 % of GDP - AUD 5.5 billion or AUD 260 per person - if the gender pay gap was reduced by just 1 %.

Removing the effects of 'being a woman' from the wage gap would increase the average wage of Australian women by AUD 1.87 per hour or AUD 3 394 annually. If this element alone were eliminated, ignoring all the other complicated reasons behind the wage gap, it suggested that **Australia could add AUD 56 billion or 5.1 % to its total annual GDP**¹⁸.

¹⁷ The Economic case for Gender Equality, M. Smith, Grenoble Management School, see: http://www.academia.edu/1660136/The_Economic_Case_for_Gender_Equality

¹⁸ Source: The impact of a sustained gender wage gap on the Australian economy, http://www.natsem.canberra.edu.au/storage/gender_wage_gap.pdf

The social cost of the gender pay gap and the benefits of closing it

The gender pay gap is more than just a statistic: it has real-life consequences. In practical terms it means less for families' everyday needs, less for investment in our children's future, and, when added up over a lifetime of work, substantially less for retirement.

The financial disadvantage that women suffer is twofold. First, they receive lower wages and lower social security benefits during their working lives. Second, women's choices (e.g. part-time arrangements, leave for family reasons, etc.) may also have indirect, cumulative effects, as they may miss out on benefits related to employment, or be at a disadvantage when it comes to entitlement to social security benefits.

Figure 6 - US data on the cumulative effects of the gender pay gap

According to statistics provided by the White House based on US census data¹⁹, in 2011 in the US a typical 25-year-old woman working full-time all year earned USD 5 000 less than a typical 25-year-old man. The cumulative effects show the economic impact of the gender pay gap even when women continue to work full-time throughout their lives:

- in one year a woman earns USD 5 000 less;
- in one decade a woman earns USD 34 000 less;
- up to the age of 65 a woman earns USD 413 000 less.

A study conducted by the American Association of University Women found that closing the GPG in the United States would stimulate growth in the US economy to the tune of at least 3 to 4 %. Similarly, Goldman Sachs has calculated that eliminating the remaining GPG between male and female employment could increase GDP in the US by a total of 9 %, and GDP in the eurozone by 13 %²⁰.

Bridging the pay gap is not just about economic empowerment; it is a matter of social justice and to a certain extent a moral imperative.

Bridging the pay gap is also increasingly a matter of **social sustainability**: **it is not only desirable but also necessary if European societies are to function effectively, manage their economies efficiently, and emerge from the current economic and social crisis able to address the challenges that face them.**

The economic crisis and the introduction of austerity measures have clearly hindered efforts to achieve equal pay. In many Member States, other employment policy priorities have taken precedence, such as addressing rising unemployment or reducing public expenditure.

¹⁹ Source: <http://www.census.gov/>

²⁰ For more details see annexed research paper from Matrix Insight.

Family structures have been changing over the past three decades. The family model based on a male breadwinner which predominated in many EU Member States has progressively been replaced by a dual-earner model. The decline of manufacturing and the demise of lifetime employment mean that it is no longer feasible to rely on a single earner in a household. This in turn means that unequal pay can no longer be justified on the grounds that men are the sole earners of the 'family wage'. **Women's earnings are now a vital element in many household incomes.** It is a woman who is the main or even the sole breadwinner in an increasing number of households.

As women's employment rates have increased in recent years and women's attachment to the labour market has become stronger, the case for eliminating pay discrimination has become ever more urgent. Women's economic independence through equal pay has become an economic necessity if they are to support themselves and their families as they need to do. The fact that unequal pay remains a reality, however, means that women are much more likely than men to be poor, and this affects their families, children and other dependants.

Low pay is a particularly significant cause of women's poverty, and data provided by the Commission²¹ demonstrate that 18 % of European women are still at risk of poverty. In terms of both satisfying needs and realising potential, the chances of living a good life depend to a large extent on earning a decent income.

Equal pay is also vital for the economic health of the EU Member States, and this has never been more pressing than it is at present. It is frequently suggested that gender equality generally, and equal pay specifically, are luxuries which cannot be sustained in an economic crisis.

On the contrary, unequal pay costs the EU dearly. The lower income and purchasing power of such a significant proportion of the population have a substantial **impact on both the tax base and on women's purchasing power throughout their lives.** At the same time, unequal pay makes women, and especially low-paid women, **particularly reliant upon supplementary income from welfare support** (e.g. for healthcare, housing and childcare), making for an unnecessary drain on public resources.

Women's potential, through full engagement and development in the workplace, must therefore be maximised if economic recovery is to be achieved.

²¹ European Commission: Progress on equality between women and men in 2011: A Europe 2020 initiative

Figure 7 - Summary: the social effects of the gender pay gap

- Unequal pay can no longer be justified on the grounds that men are the sole earners of the family wage
- **Women are much more likely to be poor than men**, and this affects their families, children and other dependants
- The **GPG affects women's** income during their working lives, but it also has an effect **in terms of their pensions** and their vulnerability to poverty later in life
- The fact that such a significant proportion of the population has lower incomes and less purchasing power has a **substantial impact on both the tax base and on women's purchasing power** throughout their lives
- Unequal pay makes women, particularly low-paid women, **particularly reliant on supplementary income from welfare support**, which is an unnecessary drain on public resources
- Securing equal pay would empower women and **reduce their exposure to violence²² and exploitation.**

Although many people know that achieving equal pay and a gender balance will deliver **numerous positive economic and other effects**, the message has not yet got through sufficiently.

The conclusion is, therefore, that reducing gender inequalities will bring benefits not only for women but also for men, children and the elderly. Moreover, when looking at the social implications of the gender pay gap account needs to be taken of a number of 'unintended' effects that extend beyond insufficient wages in individual cases (see examples in Figure 8 below).

Figure 8 - Examples of unintended social effects of the gender pay gap

- The differences between men's and women's wages (within one household) inevitably mean that **women take more parental leave than men.**
- Poorer working women, who cannot afford domestic help, have to cope with the double burden of household tasks and employment owing to a lack of participation by men. Some women therefore increase their working hours, and others ask their children (usually daughters, at the expense of their education) to take over care work such as looking after younger children.
- Traditional gender roles are reinforced by the **feminisation of unpaid care work** (such as childcare, care for the elderly, etc.) and **unequal educational opportunities** for boys and girls, setting a negative gender dynamic in motion once again.

²² The impact of women's position in the labour market on pay and implications for UK Productivity, Professor S. Walby and Dr W. Olsen

The implications for business of reducing the gender pay gap

Research and academic analysis have consistently proven that wage discrimination, which is unrelated to productivity differences caused by the heterogeneity of labour, reduces economic efficiency in the longer term because businesses that do not discriminate tend to achieve a higher marginal product of labour and are more productive. This microeconomic mechanism makes it possible to calculate the clear long-term costs of discrimination, in particular given the fact that a persistent GPG reduces economic output because productive labour is not being allocated in an optimal manner.

Another factor that reduces economic output in the longer term is reduced investment in firms (which are less productive than they would be in an ideal world without discrimination). Adverse effects on the acquisition of skills, workforce participation and working times for women, lower fertility rates, etc. should also be taken into account.

It can be argued, therefore, that long-term economic performance is better in economies that set up mechanisms to narrow the GPG.

In 2006 the Women and Work Commission estimated that removing the barriers that prevent women from working in occupations traditionally dominated by men and increasing labour market participation could be worth between GBP 15 billion and GBP 23 billion, or 1.3 - 2 % of UK GDP²³. It seems reasonable to assume that if this type of gain were replicated throughout the EU, the potential to recover from the crisis quickly, and to maximise the healthy functioning of Europe's economies, would be considerable.

Similarly, an independent study of gender equality, economic growth and employment across Europe estimated that a complete transition to full gender equality in the labour market would have the potential to increase GDP by between 15 and 45 % in the EU Member States²⁴.

Once we move beyond the narrow measure of GDP²⁵, other positive effects can also be taken into account (e.g. quality of life, wellbeing, reduced child poverty,

²³ *Shaping a Fairer Future*, Women and Work Commission, February 2006

²⁴ *Gender equality, economic growth and employment*, Åsa Lofstom, Department of Economics, Umeå University, 2009.

²⁵ GDP is often mentioned as the hard economic measure of success of a policy measure. However, in relation to the gender pay gap, GDP as a measure of wellbeing might be only a partial indicator, primarily because it ignores the contribution that women make to the economy in activities that are not strictly economic in nature. (Klasen 1999).

etc.). Many are the positive effects that could be mentioned, but there is not enough room to list them all here.

On **turnover**, for instance, research suggests that the three main reasons for women in positions of seniority leaving their employer are better promotion opportunities, better pay and more interesting work. If a woman considers that she is being paid unfairly she will look for another position; given that the cost of replacing an employee is estimated to be 100-150 % of her/his salary, this represents a significant cost to organisations²⁶.

Research also suggests that **women's working hours** increase when the GPG is reduced, especially where married women or women with children are concerned. A small reduction in the gender wage gap may generate a large labour supply response, resulting in a move from unpaid work in the home to paid employment. A study found that eradication of the GPG would result in an increase in women's working hours of 20 % and an increase in GDP per capita of 17.6 % (cited in Casselles et al, 2009)²⁷.

Unfair treatment at work demoralises staff and creates stress, which often contributes to increased **rates of absenteeism**²⁸. Ensuring that staff are fairly and equally remunerated can increase morale and hence reduce absenteeism.

Pay discrimination is unlawful. Employees are becoming more aware of employment law and thus more litigious. Many people are aware of the financial compensation awarded in cases which are successful in a tribunal. However, this is only the tip of the iceberg in terms of costs, because many cases are settled before they get to court.

The **cost of legal advice** prior to settlement, whether in or out of court, and the time that employers and employees require to manage and settle claims, combine to push costs much higher. There are also indirect costs, such as loss of corporate reputation, loss of potential new recruits and even loss of customers²⁹.

²⁶ Source: Equality Commission for Northern Ireland available at:
<http://www.equalityni.org/site/default.asp?secid=home>

²⁷ For more details see annexed research paper from Matrix Insight.

²⁸ This costs UK employers GBP 11 billion a year. Source: Equality Commission for Northern Ireland.

²⁹ In the UK, the Government Equalities Office (2011) found that the average cost to an employer of an equal pay case (based on 2010 prices) is GBP 5 283. The same study also found that, according to the 2008 UK Survey of Employment Tribunal Applications, the median compensation award for successful equal pay employment tribunal claims is GBP 13 411 (based on 2010 prices).

Figure 9 - Non-exhaustive list of possible benefits at company level

- lower staff **turnover** and associated loss of organisational competence
- reduced likelihood of **lengthy and costly litigation**
- improved and more **appropriate skill utilisation**
- **increase in women's working hours**
- higher morale and **job satisfaction**
- effective utilisation of labour (making the most effective use of the human capital available in the labour market)
- **increased productivity** and quality of output³⁰
- reduced worker stress (through improved job quality) and associated **absenteeism**
- improvements in the internal and external image of a business bringing advantages in the competition to recruit the most talented and skilled staff
- pay reviews simplifying payroll accounting and analysis of businesses' wage structure

Added value of the proposed recommendations³¹

This section presents the costs of the gender pay gap and contrasts them with the potential benefits deriving from further legislative action on equal pay, in line with the recommendations contained in the Bauer report. These advantages (in other words, the European added value of the initiative) will be presented in a manner that focuses on **social** and **economic** added value.

The social added value of the recommendations contained in the Bauer report

This section focuses in particular on the **social** value of the measures proposed in the Bauer report covered by Recommendation 2 (Analysis of the situation and transparency of results), Recommendation 3 (Work evaluation and job classification), Recommendations 6 and 7 (Prevention of discrimination and gender mainstreaming).

The assessment does make it clear, that there is a wide range of possible benefits for individuals, companies and society in general (see examples in Figure 10 below).

³⁰ Organisations which can manage a diverse team effectively, bringing together different styles and talents, will reap rewards in term of superior innovation. Men and women bring different skills and perspectives into the workplace.

³¹ The Bauer report, including the detailed recommendations, is presented on page 28 of this assessment.

Figure 10 - Non-exhaustive list of possible benefits³²

<p>Recommendation 2 on analysis and transparency of pay</p>
<p>This recommendation would:</p> <ul style="list-style-type: none"> ➤ ensure that data collection and sharing is done much more uniformly throughout the EU, and not just in the ‘good practice countries’ ➤ ensure that existing national legislation cannot be interpreted in ways which make it possible to circumvent it or undermine its provisions ➤ overcome the major barrier represented by the low priority afforded to pay transparency within many organisations and Member State governments ➤ ensure that establishments in both private and public sectors apply good practice ➤ ensure that data are both collected and openly shared and analysed by all social partners ➤ allow an accurate picture of pay inequality to be drawn, by requiring an analysis to be carried out of all types of wage data, including variable payments ➤ build trust between the social partners in the quality of pay data collected, overcoming reservations about the methods used in nationally-collected wage data ➤ obviate the need for employees and their representatives to resort to tribunals ➤ ensure that employees are not vulnerable to victimisation or discrimination if they raise equal pay complaints ➤ ensure that all social partners develop competencies in pay data analysis
<p>Recommendation 3 on work evaluation and job classification</p>
<p>This recommendation would:</p> <ul style="list-style-type: none"> ➤ systematise the identification of pay discrimination in establishments ➤ promote the development of common pay scales by sector or country, where appropriate, thus making pay discrimination more difficult to sustain ➤ improve the provision of systematic guidance and the development of expertise in equality-based job evaluation methods ➤ encourage Member States which do not currently have them to develop legislative definitions of ‘work of equal value’ ➤ improve the identification of comparators across sectors, thus overcoming some of the difficulties posed by increased outsourcing and occupational segregation ➤ advance capacity-building through improvements in social partners’ understanding of, and practice in, equal pay for work of equal value, since this is critical for closing the pay gap ➤ reduce the element of the gender pay gap which is maintained through variable payments such as bonuses and overtime premiums ➤ narrow the pay gap significantly for several million employees in the public sector alone (we take the view, on the basis of the experience of Member States where use of work evaluation and job classification is advanced, that the wider application of these systems would have this effect)

³² For an exhaustive list of possible benefits, see annexed research paper from Juliet Webster, Work and Equality Research in London.

Recommendation 6 on prevention of discrimination and Recommendation 7 on gender mainstreaming

The implementation of these recommendations would:

- help widen the coverage of anti-discrimination measures so that they are more comprehensively framed
- allow links to be made between the areas on which measures are targeted (vocational training systems, gender stereotyping of skills, and the economic valuation of skills, for example), thus ensuring more coherence between them and potentially increasing their effectiveness
- support a move away from purely voluntary measures, the effectiveness of which has been shown to be weak, towards measures which include some degree of compulsion on employers and employers' associations to close the pay gap
- promote the proper resourcing of specific measures to advance equal pay, in terms of both time and financial resources
- encourage more robust data collection and monitoring at Member State level, to inform policymaking, the establishment of policy priorities and the evaluation of outcomes

Economic added value of the recommendations contained in the Bauer report

Some recommendations presented in the Bauer report were used as a basis to consider the scale, nature and dynamics of the GPG in the EU and to assess the economic impact of these elements. In assessing the economic impact of the proposed recommendations it was necessary to establish a baseline (e.g. the extent to which Member States have already implemented policies or made efforts in the area linked to each recommendation).

The section below provides a snapshot of the potential **economic** impact³³ associated with Recommendation 2 (Analysis of the situation and transparency of results), Recommendation 3 (Work evaluation and job classification) Recommendation 4 (Equality bodies and legal remedy), Recommendation 8 (Sanctions) and Recommendation 9 (Streamlining of EU regulation and EU policy).

If introduced consistently across the EU, the **recommendations assessed in this document are likely to have a significant impact on economic output in the European Union**. This is particularly the case for transparency of wages, work valuation and job classification, and streamlining of EU regulations (for each of these options, the GPG is estimated to be reduced by between 2 and 3%).

³³ For more details, see the attached research paper by Matrix Insight.

Figure 11 - Overview of the recommendations assessed

Recommendation 2	Improved situational analysis and transparency of results	Assessment of Impact	
Overview	Indirect impact through greater transparency of pay data.	Potential Impact	High
Baseline Situation	Policies linked to income transparency; increasing the availability of data and wage statistics are evident in some MS.	Current Member State Adoption Level	Medium to High
Summary	A strong and implementable measure, but evident to a limited extent in 26 out of 27 MS.	Approximate Potential GPG Reduction	Under 2%
Recommendation 3	Work Evaluation and Job Classification	Assessment of Impact	
Overview	To encourage MS to introduce a transparent job classification process	Potential Impact	High
Baseline Situation	Austria, Belgium and the Netherlands were identified as having made particular progress.	Member State Adoption Level	Medium to Low
Summary	A strong and implementable measure, which has only been fully implemented in 3 out of 27 MS.	Approximate Potential GPG Reduction	2%
Recommendation 4	Equality Bodies and Legal Remedies	Assessment of Impact	
Overview	To empower and ensure adequate funding for equality bodies within MS and to enhance their mandate.	Potential Impact	Low
Baseline Situation	Wide variation in role and scope.	Member State Adoption Level	Medium to High
Summary	A mechanism established to some degree in all 27 MS, but with only limited potential to affect the GPG	Approximate Potential GPG Reduction	Under 1%
Recommendation 8	Sanctions	Assessment of Impact	
Overview	MS to be encouraged to strengthen current legislation.	Potential Impact	Medium
Baseline Situation	Variation in the type and level of sanctions and limited evidence of MS explicitly implementing them.	Member State Adoption Level	Medium
Summary	Just over a third of MS are stated to have sanctions in place but 17 do not.	Approximate Potential GPG Reduction	Between 1% -2%
Recommendation 9	Streamlining of EU regulation & Policy	Assessment of Impact	
Overview	With a particular focus on part-time work.	Potential Impact	High
Baseline Situation	Some notable schemes have been introduced within MS.	Member State Adoption Level	Medium
Summary	While there is evidence of 13 MS having done this, nearly half have not.	Approximate Potential GPG Reduction	2%

The above table presents a complex reality in a very synthetic way and cannot provide all the necessary information. In the case of "sanctions" for instance the likely impact has been considered Medium because evidence suggests that currently few cases are brought to court. Many other factors could possibly explain this, notably the fact that employers do prefer settle the cases at company level in order to avoid reputational damages but primarily absence of effective sanctions and enforcement systems.

However, it seems reasonable to say that where effective sanctions are introduced, employers would weigh the cost of implementing equal pay against the possibility to get fined and reputational damages attached to it. In doing so, they will take into account the likelihood of being fined. Thus, in case of persistent GPG over time, the introduction of new sanctions or the strengthening of existing ones, might lead to a greater deterrence effect and certainly reduce the number of incidence of discrimination.

According to the policy impact above indicated, the recommendations under consideration would lead to a reduction of the GPG of between 1 and 3 % across the European Union. Based on the estimated size of the impact³⁴, it is suggested that a **decrease in the GPG by one percentage point would increase economic growth by 0.1 %**. (Figure 12 below shows the potential impact of selected recommendations).

The minimum and maximum impact scenarios set out in Figure 12 show that a decrease of the GPG of 2 % points will result in an **increase in total GDP of some EUR 34 billion, equivalent to EUR 67.71 per capita** across the EU.

These estimates do not take into account the heterogeneous situation across EU Member States in terms of GPG, given that some countries have already partly implemented some of the assessed recommendations. These disparities mean that certain countries have scope for greater reduction in the gender pay gap, and have the potential to enjoy the economic benefits resulting from a more egalitarian pay structure.

³⁴ For more details on the economic model, estimation and assumptions, see the attached research paper by Matrix Insight.

Figure 12 - Potential impact of reductions of the GPG on economic output in the EU following the assessed recommendations³⁵

Options for closing the GPG	Recommendation 2		Recommendation 3		Recommendation 4		Recommendation 8		Recommendation 9	
	Min. impact	Max. impact	Min. impact	Max. impact	Min. impact	Max. impact	Min. impact	Max. impact	Min. impact	Max. impact
Decrease in GPG	-2 %	-3	-2	-3	0	-1	-1	-2	-2	-3
GDP increase (million EUR)	33,977.2	50,880.4	33,977.22	50,880.4	-	17,073.9	17,073.9	35,513.2	35,513.2	50,880.4
GDP p.c. increase (EUR)	67.71	101.39	67.71	101.39	-	34.03	34.03	67.71	67.71	101.39

Finally, one should also consider the interplay of the different recommendations, the extent to which means that combining one or more options may have cumulative impact on excess to that of any one option.

³⁵ For more details, see the attached paper by Matrix Insight. Please note that estimations were presented in US dollars and have been converted in EUR at the exchange rate of Monday 27 May 2013.

Conclusion

Over the last 40 years some improvements in closing or at least narrowing the pay gap have been made. However, there is still a long way to go before the elimination of the gender pay gap can finally be achieved.

The slow rate of progress in closing the gender pay gap shows that **Directive 2006/54/EC, at least in its current form, is a necessary but insufficient tool with which to achieve the overall objectives.**

The implications of the pay gap on society are numerous and do not only affect women. Gender discrimination at work constrains economic growth, increases poverty and has a negative effect on the wealth and wellbeing of families and communities.

Many interconnected factors are involved in closing the gender pay gap. While it is recognised that a systemic approach, including both legislative and non-legislative measures, is requested to tackle such a complex issue, comprehensive legislative action at EU level is necessary and will make it much more difficult for others to overlook, ignore or downplay the issue of equal pay as has been the case in the past.

Legislative action at EU level will ensure that all the Member States are held accountable for ensuring that the GPG is eradicated, and that it is made very clear that unequal pay is not only economically wasteful but also socially unacceptable.

Recommendation

The European Parliament calls on the Commission to revise Directive 2006/54/EC of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation in line with the recommendations proposed by Ms Bauer in her report.

**European Parliament resolution of 24 May 2012 with recommendations to the Commission on application of the principle of equal pay for male and female workers for equal work or work of equal value (2011/2285(INI))
(Bauer Report)**

The European Parliament,

- having regard to Article 225 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Articles 8 and 157 TFEU,
- having regard to Directive 2006/54/EC of the European Parliament and the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast)(1) ,
- having regard to the Commission's communication of 21 September 2010 entitled Strategy for Equality between Women and Men 2010-2015 (COM(2010)0491),
- having regard to the Commission's communication of 5 March 2010 entitled A Strengthened Commitment to Equality between Women and Men, A Women's Charter (COM(2010)0078),
- having regard to the Commission's report of May 2010 entitled The Gender Pay Gap in Europe from a Legal Perspective,
- having regard to the Commission's report of February 2009 by the European network of legal experts in the field of gender equality entitled The Transposition of Recast Directive 2006/54/EC,
- having regard to the Commission's communication of 18 July 2007 entitled Tackling the pay gap between women and men (COM(2007)0424),
- having regard to the Commission's report of February 2007 by the Commission's network of legal experts in the fields of employment, social affairs and equality between men and women entitled Legal Aspects of the Gender Pay Gap,
- having regard to the European Pact for gender equality (2011 - 2020) adopted by the Council on 7 March 2011,
- having regard to the case law of the Court of Justice of the European Union based on Article 157 of the Treaty on the Functioning of the European Union,
- having regard to the report of the European Foundation for the Improvement of Living and Working Conditions of 5 March 2010, entitled Addressing the gender pay gap: Government and social partner actions,
- having regard to the European Social Partners' Framework of Actions on Gender Equality of 1 March 2005, its follow-up reports of 2006, 2007 and 2008 and the final evaluation report of 2009,

- having regard to the provisions of the International Labour Organisation's (ILO) 1994 Part-Time Work Convention(2) , which requires countries to incorporate into their public procurement contracts a labour clause including the issue of equal pay,
- having regard to ILO Convention 100, 'Equal Remuneration',
- having regard to the ILO - UN Global Compact webinar of March 2011: 'Equal Pay for Work of Equal Value: How do we get there?',
- having regard to Article 11(1)(d) of the Convention on the Elimination of All Forms of Discrimination against Women, adopted by the UN General Assembly in its Resolution 34/180 of 18 December 1979,
- having regard to its resolution of 18 November 2008 on Application of the principle of equal pay for men and women(3) ,
- having regard to the Commission's follow-up of 3 February 2009 to the resolution of 18 November 2008,
- having regard to the proposal of 8 March 2010 by 10 of its Members to draw up a legislative initiative report on 'Equal Pay for Equal Work' pursuant to Rule 42 of the Rules of Procedure,
- having regard to Rules 42 and 48 of its Rules of Procedure,
- having regard to the report of the Committee on Women's Rights and Gender Equality and the opinion of the Committee on Employment and Social Affairs (A7-0160/2012),

A. whereas according to the latest provisional and incomplete figures, women across the European Union earn on average 16,4 % less than men in the EU and the gender pay gap varies between 4,4 % and 27,6 % in the Member States, and whereas – despite the significant body of legislation in force for almost 40 years and the actions taken and resources spent on trying to reduce the gap(4) – progress is extremely slow (the disparity at EU level was 17,7 % in 2006, 17,6 % in 2007, 17,4 % in 2008, 16,9 % in 2009 and 16,4 % in 2010), and in some Member States the gap has even widened; while the gender pay gap could be higher than indicated as three Member States' data are still missing;

B. whereas the causes of the persistent high gender pay gap are complex, multiple and often interrelated, and go far beyond the single issue of equal pay for equal work or work of equal value; whereas these causes include direct and indirect discrimination, as well as social and economic factors such as occupational and highly horizontally and vertically segregated labour markets, undervaluing of women's work, inequality in the balancing of work and private life, and traditions and stereotyping, including in the choice of educational paths, in educational guidance, in access to trades and professions and consequently in professional careers, particularly for girls and women, leading them towards typically female professions which are less well paid; whereas, according to expert analysis, discrimination, direct and indirect, is responsible for approximately half the difference;

C. whereas all too often the pay gap is linked to cultural legacies and legal and economic factors present in modern-day society;

D. whereas on average women needed to work until 2 March 2012 in order to earn as much as men had earned on average in the year up to 31 December 2011;

E. whereas implementation of the principle of equal pay for the same work and for work of equal value is crucial to achieving gender equality; whereas the Commission and the Member States should be called upon to compile and regularly issue statistics showing not only average hourly wages, but also the amounts of pay that men and women receive for equal work or work of equal value;

F. whereas the recast Directive 2006/54/EC has contributed to the improvement of women's situation in the labour market but has not profoundly changed the legislation on closing the gender pay gap; whereas preliminary studies by experts show that little or no change has been made in Member States' legislation and no sanctions have been taken against employers; whereas the complexity of the issue requires not only improvement of the legislation but also a Europe-wide strategy to address the gender pay gap, which, in turn, requires strong EU leadership in coordinating policies, promoting good practices and involving various actors;

G. whereas trends show that salaries are more frequently individually negotiated, resulting in a lack of information and transparency on the individualised pay system which leads to increased pay disparities among employees at similar levels, and can result in widening the gender pay gap; whereas a more decentralised and individualised system of wage setting should therefore be assessed as a rather worrying development, while data protection cannot be taken as a legitimate excuse for not publishing statistical information on salaries;

H. whereas, in all Member States, female students achieve a higher pass rate at school than their male counterparts and represent as many as 59 % of all university graduates; whereas, however, due to traditions and stereotypes in education they are a minority among university graduates in fields like mathematics and computer engineering;

I. whereas women's skills and competences are often undervalued, as are the professions and jobs in which women predominate, without this necessarily being justified by any objective criteria; whereas broadening women's career prospects and changing education patterns could have a positive influence on addressing the gender pay gap, for example by increasing the numbers of female scientists and engineers;

J. whereas women are more often employed in part-time work, and whereas the gender pay gap is almost twice as wide among part-time workers as among full-time workers;

K. whereas, according to expert analysis, the gender pay gap starts to be visible after a woman's return to the labour market from her first maternity leave, gets higher with repeated career interruptions because of external factors, such as child-related employment breaks and caring for dependent family members and tends to grow with age and educational level; whereas women's slower, shorter and/or interrupted careers also create a gender differential in contributions to social security systems, thus increasing women's risk of poverty in old age;

L. whereas data indicate that qualifications and experience acquired by women result in financially lower rewards than those acquired by men; whereas, in addition to the

concept of 'equal pay for work of equal value', which must not be biased by a gender-stereotyped approach, societal roles that have hitherto significantly influenced education and employment paths must be broken away from, and education can and must contribute to eradicating gender stereotypes from society; whereas, furthermore, maternity and parental leave must not give rise to discrimination against women in the labour market;

M. whereas employers in feminised industries and occupations pay lower wages on average, and whereas these industries and occupations usually have less collective representation and bargaining power;

N. whereas, according to legislation and European case law, employers must apply the same evaluation criteria to all staff, remuneration arrangements must be understandable and transparent, and the criteria applied must take into account the nature and type of work and must be free from discriminatory elements;

O. whereas the pay gap is even more pronounced among women with multiple disadvantages, such as women with disabilities, women belonging to minorities and unqualified women;

P. whereas only a few claims concerning discrimination in the form of a gender pay gap make their way to the competent courts⁽⁵⁾; whereas there are many explanations for this scarcity, including lack of information on pay, the problematic scope of comparison, and the claimants' lack of personal resources;

Q. whereas the European Institute for Gender Equality can play a fundamental role in monitoring the development of the gender pay gap, analysing its causes and assessing the impact of legislation;

R. whereas Parliament has repeatedly called on the Commission to take initiatives, including the revision of existing legislation, in order to tackle the gender pay gap, and to eliminate the risk of poverty of pensioners, which is greater among women as a direct effect of the gender pay gap;

1. Requests the Commission to review Directive 2006/54/EC by 15 February 2013 at the latest, in accordance with Article 32 thereof, and to propose amendments to it on the basis of Article 157 TFEU, following the detailed recommendations set out in the annex to this resolution, at least in relation to the following aspects of the gender pay gap issue:

- definitions,
- analysis of the situation and transparency of results,
- work evaluation and job classification,
- equality bodies and legal remedy,
- social dialogue,
- prevention of discrimination,
- gender mainstreaming,
- sanctions,
- streamlining of EU regulation and EU policy;

2. Confirms that the recommendations respect fundamental rights and the principle of subsidiarity;

3. Considers that the proposal requested will have no financial implications;
4. Recognises that there are multiple causes which exacerbate the pay gap and, therefore, that a multi-level, multifaceted approach requires strong leadership from the European Union in coordinating policies, promoting best practice and involving various actors such as the European social partners and non-governmental organisations, with the aim of creating a Europe-wide strategy to address the gender pay gap;
5. Calls on the Member States to implement and enforce Directive 2006/54/EC consistently, and to encourage the private and public sectors to play a more active role in closing the gender pay gap; the Member States and the Commission should encourage the social partners, including employers, to undertake job evaluation schemes free from gender bias, to implement job classification systems, and to foster the concept of work based on equal pay;
6. Calls on the Member States to act in an exemplary manner themselves in regard to combating unequal pay for women in government, public institutions and public companies in general;
7. Points out that collective negotiation and bargaining have an important role to play in combating discrimination against women, not least as regards access to employment, pay, working conditions, career advancement and vocational training;
8. Welcomes the Commission's Equal Pay Day initiative, first established on 5 March 2011 and held for the second time on 2 March 2012;
9. Notes that pay inequality due to any other factor such as race, ethnicity, sexual orientation or religion must not be tolerated;
10. Welcomes the Council's initiative under the Belgian Presidency in 2010 on evaluating and updating the set of quantitative and qualitative indicators;
11. Encourages the Commission to foster closer coordination among Member States in relation to research, analysis and taking full advantage of best-practice sharing;
12. Encourages the Member States, whenever possible with the involvement of the social partners, to exchange best practices and increase the cooperation in developing new ideas in tackling the gender pay gap;
13. Calls on the Commission and the Member States to oppose inequality in pay between the sexes in all relevant EU policies and national programmes, in particular in those geared towards the fight against poverty;
14. Suggests that Member States may wish to appoint an Equal Pay Champion to monitor the situation in individual Member States and report back to their national parliaments and the European Parliament on the progress that is being made;
15. Calls on the Commission to revise the Council directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work(6) , with the aim of closing the gender pay gap;

16. Encourages the social partners to shoulder their responsibility in terms of creating a more gender-equal wage structure; to provide training courses on negotiation skills, including wage negotiation; to promote awareness of equal pay in the first instance, with a view to working towards compulsory pay audits; and to strengthen women's positions within the social partnership structure, in particular in decision-making posts;
17. Calls on the Member States to provide for the possibility of collective redress against violations of the equal pay principle, as the means enabling individuals and/or representative bodies to bring a case on behalf of consenting complainants in court proceedings and to grant NGOs and trade unions the legal standing to represent victims of discrimination, also in administrative proceedings; calls on the Commission to examine, in the context of its forthcoming proposal for a horizontal instrument on collective redress, the inclusion of collective redress against violations of the equal pay principle;
18. Stresses that only very few claims concerning gender pay discrimination have made their way to the competent (regular or administrative) courts; encourages the Commission and the Member States, therefore, to continue with awareness-raising campaigns, including providing adequate information on the burden of proof, given that it plays a significant role in ensuring the principle of equal treatment;
19. Takes the view that the procedures and mechanisms for defending the principle of equal pay for work of equal value and for prohibiting any and every form of gender-based discrimination need to be improved and simplified;
20. Calls on the Member States and workers' and employers' organisations to jointly develop objective job evaluation instruments, in order to reduce the pay gap between men and women;
21. Encourages the Member States to determine objectives, strategies and time limits for reducing the gender pay gap and equalising equal pay for the same work and work of the same value;
22. Calls on the Commission to promote further research on flexicurity strategies in order to assess their impact on the gender pay gap and determine how these strategies can help tackle gender discrimination;
23. Welcomes the Council conclusions of 6 December 2010 calling on the Member States to take wide-ranging measures to overcome the causes of this pay inequality;
24. Maintains that greater female employability, especially in the top flight, could help to narrow gender pay gaps; points to the need for women to play a more active part in economic decision-taking, using their influence to bring about solutions encompassing a gender equality perspective; draws attention to studies which have found that there is a strong correlation between larger numbers of women in company management positions and higher company profits from assets, sales, and investment capital;
25. Reminds the Member States of their commitments regarding a review of the effect that employment and tax policies have on the pay gap;

26. Proposes that Parliament should offer a 'Women and Business in Europe' prize, which could be awarded to employers (undertakings, institutions and authorities) who lead the way in promoting women, supporting female managers and practising equal pay;

27. Stresses the need to take measures to promote professional and career development under conditions of genuine gender equality; points out that this principle forms part of the concept of corporate social responsibility, which is promoted at international and national level and needs to be developed in all the Member States;

28. Instructs its President to forward this resolution and the accompanying detailed recommendations to the Commission, the Council and the governments and parliaments of the Member States.

(1) OJ L 204, 26.7.2006, p. 23.

(2) <http://www.ilo.org/ilolex/cgi-lex/pdconv.pl?host=status01&textbase=iloeng&document=178&chapter=1&query=%23status%3D01&highlight=on&querytype=bool&context=0>.

(3) OJ C 16 E, 22.1.2010, p. 21.

(4) Sustainable development in the European Union: 2011 monitoring report of the EU sustainable development strategy, Eurostat, 2011.

(5) Background document accompanying the Commission communication entitled Strategy for Equality between Women and Men 2010-2015, SEC(2010)1080, p. 36.

(6) OJ L 14, 20. 1. 1998, p. 9.

ANNEX

DETAILED RECOMMENDATIONS AS TO THE CONTENT OF THE PROPOSAL REQUESTED

Recommendation 1: DEFINITIONS

Directive 2006/54/EC contains a definition of equal pay, by copying the provisions of Directive 75/117/EEC. To have more precise categories as tools for dealing with the gender pay gap (GPG) it is important to define the different concepts more precisely, such as:

- GPG, the definition of which must not cover gross hourly pay alone, while there needs to be a distinction between unadjusted and 'net' gender pay gap;
- Direct and indirect pay discrimination;
- Remuneration, the definition of which should cover any net wages and salaries as well as any work-related financial entitlements and in-kind benefits;
- Pension gap (in different pillars of pension systems, e.g. in pay-as-you-go systems, occupational pensions, as a continuation of the pay gap after retirement);
- Work treated as 'equal' (in individual categories of occupations);
- Work of the same value, so that relevant factors are mentioned;
- Employer, to ensure that responsibility for the employee's pay and any possible inequality in pay, is clearly defined;

- Professions and collective agreements – it should be made more clear that jobs related to different collective agreements and different professions can be compared in court, provided that the jobs are comparable as equal work or work of equal value.

Recommendation 2: ANALYSIS OF THE SITUATION AND TRANSPARENCY OF RESULTS

2.1. The lack of information and awareness among employers and employees about existing of possible pay gaps within their company as well as their ignorance weakens the implementation of the principle enshrined in the Treaty and in existing legislation.

2.2. Acknowledging the lack of accurate, comparable and coherent statistical data, including on the part-time gender pay gap and the gender pensions gap, and the existing lower pay rates for women especially across professions traditionally dominated by women, Member States should take full account of the gender pay gap in their social policies and treat it as a serious problem.

2.3. It is therefore essential that regular pay audits, as well as the publication of their results, bearing in mind the personal data protection, are made compulsory within companies (e.g. in companies with at least 30 employees and each sex is represented in at least 10 % of the employees). The same requirement can also apply to information on remuneration in addition to pay. This information should be accessible to employees, trade unions and adequate authorities (e.g. labour inspections, equality bodies).

2.4. Employers should provide employees and their representatives with results in the form of wage statistics, broken down by gender but bearing in mind the personal data protection. This data should be compiled at sectoral and national level in each Member State.

2.5. There should be a requirement on employers to adopt transparency policy in relation to wage composition and structures, including extra pay, bonuses and other advantages forming part of remuneration.

2.6. When wage statistics show group or individual differences in pay on grounds of sex, employers are obliged to analyze these differences further and react to eliminate them.

Recommendation 3: WORK EVALUATION AND JOB CLASSIFICATION

3.1. The concept of the value of work must be based on qualifications, interpersonal skills and responsibility emphasising quality of work, with the aim of promoting equal opportunities between women and men. This concept should not be marked by a stereotyped approach unfavourable to women, for example putting the emphasis on physical strength rather than on interpersonal skills and has to ensure that work involving responsibility for human beings is not considered of lower value than those with responsibility for material or financial resources. Women must therefore be provided with information, assistance and/or training in wage negotiations, job classification and pay-scaling. It must be possible for sectors and companies to be asked to examine whether their job classification systems reflect the gender dimension in the required manner, and to make the necessary corrections.

3.2. The Commission's initiative should encourage Member States to introduce job classification complying with the principle of equality between women and men, enabling both employers and workers to identify possible pay discrimination based on a biased pay-scale definition. Respecting national laws and traditions concerning industrial relations systems remain important. Work evaluation and classification should also be transparent and be made available to all stakeholders and to labour inspectorates and equality bodies.

3.3. Member States should carry out a thorough assessment centred on professions dominated by women.

3.4. A gender-neutral job evaluation should be based on new systems for classifying and organising staff and organising work and on professional experience and productivity assessed above all in qualitative terms, such as education and other qualifications, mental and physical requirements, responsibility for human and material resources, for use as a source of data and assessment grids for determining pay, with due regard to the principle of comparability.

Recommendation 4: EQUALITY BODIES AND LEGAL REMEDY

Equality promotion and monitoring bodies should play a greater role in diminishing GPG. The bodies should be empowered to monitor, report, and, where possible, enforce gender equality legislation more effectively and more independently while they should be adequately funded. Article 20 of Directive 2006/54/EC should be revised so as to enhance the bodies' mandate by:

- supporting and advising victims of pay discrimination;
- providing independent surveys concerning the pay gap;
- publishing independent reports and making recommendations on any issue relating to pay discrimination;
- legal powers to initiate their own investigation;
- legal powers to impose sanctions in cases of breaching the principle of equal pay for equal work and/or to bring wage discrimination cases to court;
- providing special training for the social partners and for lawyers, judges and ombudsmen based on a toolbox of analytical instruments and targeted measures to be used either when drawing up contracts or when checking whether rules and policies to address the pay gap are being implemented, as well as providing training courses and training materials on non-discriminatory job evaluation for employers.

Recommendation 5: SOCIAL DIALOGUE

Further scrutiny of collective agreements and applicable pay scales and job classification schemes are necessary, mainly concerning the treatment of part-time workers and workers with other atypical work arrangements or extra payments/bonuses including payments in kind. Such scrutiny should cover not only primary but also secondary working conditions and occupational social security schemes (rules on leave, pension schemes, company cars, childcare arrangements, flexible working time, bonuses etc.). Member States, while respecting national law, collective agreements or practice, should encourage social partners to introduce gender-neutral job classifications, enabling both

employers and employees to identify possible pay discrimination based on a biased pay-scale definition.

Management can play an important role not only with regard to pay equity, but also in terms of creating a climate to support the equal sharing of care responsibilities and careers advancement for both male and female workers.

The social partners should be empowered to put equal pay issues on the agenda, not only within their own sectors, but also to opt for an intersectoral balance.(1)

The Commission should work out an operative, practical and user-friendly guidebook for social dialogue in companies and Member States. This should include guidelines and criteria for deciding the value of work and for comparing jobs. It should also include suggestions for possible job evaluation methods.

Recommendation 6: PREVENTION OF DISCRIMINATION

Specific reference should be made to pay discrimination in Article 26 (on prevention of discrimination) of Directive 2006/54/EC, with a view to ensuring that Member States, with the involvement of the social partners and equal opportunity organisations, adopt:

- specific measures relating to training and job classification, aimed at the vocational-training system and designed to remove and prevent discrimination in training and classification and in the economical valuation of skills,
- specific policies to make it possible to reconcile work with family and personal life, covering high-quality and affordable childcare and care for other dependent persons, as well as other care services, flexible work organisation and hours, and maternity, paternity, parental and family leave,
- concrete actions (under Article 157(4) of the Treaty on the Functioning of the European Union) to redress the pay gap and gender segregation, to be given effect by the social partners and equal opportunity organisations at various levels, both contractual and sectoral, such as: promoting pay agreements to combat GPG, investigations in relation to equal pay for equal work, setting of qualitative and quantitative targets and benchmarking and supporting the exchange of best practice,
- a clause in public contracts requiring respect for gender equality and equal pay for equal work.

Recommendation 7: GENDER MAINSTREAMING

Gender mainstreaming should be enhanced by including in Article 29 of Directive 2006/54/EC precise guidelines for the Member States concerning the principle of equal pay and closing the gender pay gap. The Commission should gear itself to providing assistance to the Member States and to stakeholders as regards practical measures to bridge the gender pay gap by means of the following:

- devising reporting schemes for the purposes of assessing pay gaps between men and women,
- creating a data bank containing information concerning changes to the systems for the classification and the organisation of workers,

- collating and disseminating the results of experiments relating to the reform of work organisation,
- distributing information and guidelines on practical means, particularly for SMEs (e.g. on IT based tool LOGIB-D) of redressing the pay gap, including national or sectoral collective agreements,
- developing a European equal pay quality certificate in cooperation with social partners and associations, which institutions, undertakings and authorities could use to advertise their compliance with specific criteria in relation to equal pay, e.g. wage transparency,
- devising specific guidelines for the monitoring of pay differentials within the context of collective bargaining, to be made available on an internet site translated into various languages and accessible to all.

Recommendation 8: SANCTIONS

8.1. The legislation in this field is for different reasons evidently less effective and, bearing in mind that the whole problem cannot be solved by legislation alone, the Commission and Member States should reinforce the existing legislation with appropriate types of effective, proportionate and dissuasive sanctions.

8.2. It is important that Member States take the necessary measures to ensure that infringement of the principle of equal pay for work of equal value is subject to appropriate sanctions according to the legal provisions in force.

8.3. In spite of the existing legislation, inspections and punitive action are often woefully inadequate where the principle of equal pay is concerned. These matters need to be treated as a priority, and the agencies and bodies responsible for them must be provided with the necessary technical and financial resources.

8.4. It is recalled that under Directive 2006/54/EC, Member States are already obliged to provide compensation or reparation (Article 18), as well as penalties (Article 25). However, these provisions are not sufficient to avoid infringement of the equal pay principle. For this reason, it is proposed to conduct a study on the feasibility, effectiveness and impact of launching possible sanctions such as:

- penalties, which must include the payment of compensation to the victim;
- administrative fines (for example in the event of failure of notification or of compulsory communication or unavailability of analysis and evaluation of wage statistics disaggregated by gender (according to Recommendation 2)) requested by labour inspectorates or the competent equality bodies;
- disqualification from public benefits, subsidies (including EU funding managed by Member States) and public procurement procedures, as already provided for by Directives 2004/17/EC(2) and 2004/18/EC(3) concerning the procurement procedure;
- identification of offenders, which should be made public.

Recommendation 9: STREAMLINING OF EU REGULATION AND EU POLICY

9.1. One area for urgent action concerns the fact that a wage penalty appears to be linked to working part-time. This requires an evaluation and possible revision of Council

Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC - Annex: Framework agreement on part-time work⁽⁴⁾ , which prescribes equal treatment between full-time and part-time workers as well as more targeted and effective actions in collective agreements.

9.2. A concrete target for reducing the pay gap should be introduced urgently in the Employment Guidelines, inter alia regarding access to vocational training and recognition of women's qualifications and skills.

(1) European Foundation for the Improvement of Living and Working Conditions: Addressing the gender pay gap: Government and social partner actions, 5 March 2010, page 30.

(2) OJ L 134, 30.4.2004, p. 1.

(3) OJ L 134, 30.4.2004, p. 114.

(4) OJ L 14, 20.1.1998, p. 9.

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