Understanding the gender pay gap: definition and causes

Working women in the EU earn on average 12.7% less per hour than men. Find out how this gender pay gap is calculated and the reasons behind it.

Although the equal pay for equal work principle was introduced in the Treaty of Rome in 1957, the so-called gender pay gap stubbornly persists with only marginal improvements being achieved in recent years.

What is the gender pay gap and how is it calculated?

The gender pay gap is the difference in average gross hourly earnings between women and men. It is based on salaries paid directly to employees before income tax and social security.
contributions are deducted. Only companies of 10 or more employees are taken into account in the calculations. The EU average gender pay gap was 12.7% in 2021.

Some of the reasons for the gender pay gap are structural and are related to differences in employment, level of education and work experience. If we remove this part, what remains is known as the adjusted gender pay gap.

The gender pay gap in the EU

Across the EU, the pay gap differs widely, being the highest in the following countries in 2021: Estonia (20.5%), Austria (18.8%), Germany (17.6%), Hungary (17.3%) and Slovakia (16.6). Luxembourg has closed the gender pay gap. Other countries with lower gender pay gaps in 2021 are: Romania (3.6%), Slovenia (3.8%), Poland (4.5%), Italy (5.0%) and Belgium (5.0%).

Read about the European Parliament’s fight for gender equality

Interpreting the numbers is not as simple as it seems, as a smaller gender pay gap in a specific country does not necessarily mean more gender equality. In some EU countries lower pay gaps tend to be because of women having fewer paid jobs. High gaps tend to be related to a high proportion of women working part time or being concentrated in a restricted number of professions. Still, some structural causes of the gender pay gap can be identified.

Check out more data on the gender pay gap

Causes of the gender pay gap

Part-time work

On average, women do more hours of unpaid work, such as childcare or housework.

This leaves less time for paid work. According to figures from 2020, almost one-third of women (28%) work part-time, while only 8% of men work part-time. When both unpaid and paid work are considered, women work more hours per week than men.

Career choices influenced by family responsibilities

Women are also much more likely to be the ones who have career breaks: in 2018, a third of employed women in the EU had a work interruption for childcare reasons, compared to 1.3% of
men. Some career choices made by female workers are influenced by care and family responsibilities.

More women in low-paying sectors

About 24% of the total gender pay gap can be explained by an overrepresentation of women in relatively low-paying sectors, such as care, health or education. The number of women in science, technology and engineering has increased. Women accounted for 41% of the workforce in 2021.

Fewer and lower-paid female managers

Women also hold fewer executive positions: in 2020 they made up a third (34%) of managers in the EU, although they represent almost half of the employees. If we look at the gap in different occupations, female managers are at the greatest disadvantage: they earn 23% less per hour than male managers.

A combination of factors

Women do not only earn less per hour, but they also perform more unpaid work as well as fewer paid hours and are more likely to be unemployed than men. All these factors combined bring the difference in overall earnings between men and women to almost 37% in the EU (in 2018).

Closing the gap: the benefits

The gender pay gap increases with age throughout the career and alongside increasing family demands, while it is rather low when women enter the labour market. With less money to save and invest, these gaps accumulate and women are consequently at a higher risk of poverty and social exclusion at an older age. The gender pension gap was over 28% in the EU in 2020.

Reducing the gender pay gap creates greater gender equality while reducing poverty and stimulating the economy as women would get more to spend more. This would increase the tax base and would relieve some of the burden on welfare systems. Assessments show that reducing the gender pay gap by one percentage point would increase the gross domestic product by 0.1%.

Parliament's actions against the gender pay gap

In December 2022, negotiators from the Parliament and EU countries agreed that EU
companies will be required to disclose information that makes it easier to compare salaries for those working for the same employer, helping to expose gender pay gaps. In March 2023 Parliament adopted those new rules on binding pay-transparency measures. If pay reporting shows a gender pay gap of at least 5%, employers will have to conduct a joint pay assessment in cooperation with workers’ representatives.

EU countries will have to impose penalties, such as fines, for employers that infringe the rules. Vacancy notices and job titles will have to be gender neutral. The Council still has to formally approve the agreement for the rules to come into effect.

The proposal for the new rules follows the Parliament’s resolution on the EU Strategy for Gender Equality from January 2021, in which MEPs called on the Commission to draw up an ambitious new gender pay gap action plan with clear targets for EU countries to reduce the gender pay gap over the next five years.

In addition, Parliament wants to make it easier for women and girls to reach top positions and boost gender equality on corporate boards. In November 2022, MEPs approved rules, which aim to introduce transparent recruitment procedures, so that at least 40% of non-executive director posts or 33% of all director posts are occupied by the women by the end of June 2026.

Find out more about what the Parliament does to tackle the gender pay gap

Find out more about equal pay and equal opportunities
Equal pay for equal work between men and women
Study: women on board policies in EU countries and the effects on corporate governance