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Article

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CESifo DICE Report

Provided in Cooperation with:

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Nikolka, Till (2013) : The Gender Wage Gap in OECD Countries, CESifo DICE Report, ISSN 1613-6373, ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 11, Iss. 1, pp. 69-71

This Version is available at:

<https://hdl.handle.net/10419/167113>

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THE GENDER WAGE GAP IN OECD COUNTRIES

On average, women still earn considerably lower wages than men in all OECD countries. This is confirmed by the recent OECD Employment Outlook 2012. A measure of unequal pay for women compared to men is the so-called gender pay gap. It is reported as the difference in the median earnings of men and women relative to the median earnings of men. Table 1 presents the gender wage gaps for selected years and OECD countries. The numbers refer to the gross earnings of full-time employees.

In most countries the wage gap was between ten percent and 20 percent in 2010. Japan, however, boasted the largest gap of 28.7 percent, followed by Germany with 20.8 percent. In the US and the UK wage gaps are also quite high, at 18.8 percent and 18.4 percent respectively. Earnings differentials are less pronounced in some Eastern European countries like Hungary (6.4 percent) and Poland (6.2 percent). A low wage differential of 6.1 percent was also reported for Spain. Scandinavian countries, like Denmark (11.8 percent) and Norway (8.1 percent) boasted relatively small wage gaps too.

In all OECD countries, however, women earn persistently less than men when median full-time wages are used as a basis for comparison. Over time, earnings differentials have only decreased slightly. The greatest improvement can be seen in Spain, Ireland and the Netherlands. The OECD mentions that, in general, the differences in pay are less pronounced for new labour market entrants than for older age groups. The wage gap is highest among the tertiary educated.

Legislation to ensure equal pay for equal work regardless of gender that has been implemented in almost all OECD countries has not yet been sufficient to close the wage gap. Hence, what are the reasons for such persistent earnings differentials between men and women?

According to human capital theory, differences in pay can be explained by differences in individual characteristics like education, experience and age. However, evidence suggests that these factors alone do not shed much light on the earnings differentials observed. For example, the average levels of educa-

tion of men and women in OECD countries are quite similar (OECD 2012b). There are considerable differences, however, when looking at the fields of education and the occupations chosen by men and women. Several occupational fields and industries are typically dominated by men, and others by women (OECD 2012b).

According to a review by the European Commission (2006) this labour market segregation is a major reason for the gender wage gap: relatively more women self-select into jobs with lower wages. Economic theory would suggest that earnings differentials due to labour market segregation reflect productivity differences between occupations and industries in the economy. Accordingly, many regression analyses explaining the gender wage gap control for occupations and industries, as well as for human capital explanatory factors like education and experience. The residual part of the wage gap only explained by gender differences would then reflect direct wage discrimination against women. The OECD Employment Outlook 2008 finds that, on average, around 70 percent of the unadjusted wage gaps in OECD countries can be explained in such a regression framework by non-gender related variables. However, 30 percent of the wage differentials are estimated to be due to discriminating practices against women on the labour market.

Other research¹, however, already considers labour market segregation and gender specific differences in experience and education as a form of discrimination. Arguments supporting this view refer to different wage structures in female and male dominated industries, gender specific education incentives and lower labour market experience of women due to childcare, for example. Actual wage discrimination against women would then account for more than the estimated 30 percent of the unadjusted gender wage gap.

Thus, only part of the wage gap can be explained by individual, labour market related characteristics. Direct and indirect wage discrimination, on the other hand, seems to have a considerable impact on female earnings.

Various policy measures already target towards closing the gender pay gap in OECD countries and

¹ For an overview on different publications see European Commission (2006).

reflect the complexity of the problem. Several approaches aim at enhancing equal opportunities and more continuous employment patterns for women.

Proving public day care possibilities, for example, is important to allow mothers to participate in the labour market. Moreover, some parental leave policies target more equal division of childcare between men and women. Denmark implemented such a policy in 2002. Some OECD countries, on the other hand, still lack such family policies. The large gender pay gap in Japan, for example, is mainly due to high wage penalties for mothers (OECD 2012a). A similar situation is reported for the Korean labour market.

Policy-makers in some OECD countries, like Germany, discuss quota systems to support women's access to managerial positions and, thus, reduce the gender pay gap. Norway, for example, has implemented a quota system since 2003 for boards of management in large, stock market listed companies.

A detailed table on policies addressing the gender pay gap in OECD countries can be downloaded from the DICE online database.²

As Table 1 shows, the gender wage gap has mostly decreased, but is still pronounced in many OECD countries. Earnings differentials that are due to unequal opportunities and wage penalties for women have to be further addressed by policy makers. Improving the earnings situation and incentives for labour market participation of women is even more important in the light of the demographic

challenges in many OECD countries. Those economies cannot afford to lose human capital and economic potential. This is even more the case as highly educated women are most affected by the gender wage gap. Both governmental policies and social partner actions are necessary to overcome the challenges mentioned above. Beyond government policies wage setting institutions have to be involved in particular when addressing wage differentials between gender segregated labour markets.

Till Nikolka

Table 1

Gender wage gaps in OECD countries						
	Gender wage gap (%)					
	1996	1998	2000	2006	2008	2010
Austria	35.0	23.0	23.1	22.0	21.0	19.2
Belgium		15.0	13.6		10.0	8.9
Czech Republic		25.0	21.8		21.0	18.1
Denmark	14.0	15.0	14.7	11.0	12.0	11.8
Finland	20.0	21.0	20.4	19.0	21.0	18.9
France		9.0	9.5		12.0	14.3
Germany	24.0	22.0	21.0		25.0	20.8
Greece					10.0	12.2
Hungary		16.0	14.1		2.0	6.4
Ireland	22.0	22.0	19.7	14.0	* 16.0	10.7
Italy			7.4		1.0	10.6
Netherlands	22.0	22.0	21.4	19.0	17.0	16.7
Poland	17.0			11.0	14.0	6.2
Portugal					16.0	13.5
Slovak Republic						14.8
Spain					12.0	6.1
Sweden	16.0	17.0	15.5	15.0	15.0	14.3
United Kingdom		26.0	25.5	21.0	21.0	18.4
Norway		10.0	10.2		9.0	8.1
Switzerland	25.0	22.0	22.2		20.0	18.5
Australia	15.0	13.0	17.2	17.0	12.0	14.0
Canada	25.0	25.0	23.9	21.0	20.0	18.8
Japan		35.0	33.9		31.0	28.7
New Zealand		11.0	7.1		8.0	6.8
United States	25.0	24.0	23.1	19.0	20.0	18.8

Empty cells: Data not available. *Preliminary estimate.
 Estimates of earnings used in the calculations refer to gross earnings of full-time wage and salary workers.
 The gender wage gap is calculated as the difference between median earnings of men and women relative to median earnings of men. Data refer to 1997 (instead of 1996) for Australia, Canada and Ireland, to 1998 for Poland; also to 1997 (instead of 1998) for Ireland, to 1999 for Belgium and to 2000 for Austria. They refer to 2002 (instead of 2006) for the Netherlands; to 2004 for Poland and Sweden; to 2004 for Finland, to 2005 (instead of 2008) for the Netherlands and to 2007 for Belgium and France. They refer to 2001 (instead of 2000) for Israel. They refer to 2005 (instead of 2010) for the Netherlands, to 2008 for Belgium and Iceland, and to 2009 for the Czech Republic and France.

Source: OECD (2012a).

² "Addressing the Gender Pay Gap: Government and Social Partner Action", available at <http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market-and-Migration.html>.

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