THE EVOLUTION OF GENDER WAGE GAPS IN THE EU (2005-2011)

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Abstract

This paper examines relative wages and the gender wage gap in 28 EU countries over the period 2005-2011. Gender wage gaps are decomposed into components that were unexplained, due to the distribution of common characteristics, and characteristics that were unique to either males or females.

The European Commission is active in working to reduce the gender wage gap. Their "Strategy for equality between women and men (2010-2015)" promotes equal pay and equality in senior positions. Closing the gender pay gap is also part of the Europe 2020 Strategy to create jobs. The gender wage gap in the EU (28 selected countries) has been relatively stable over the period 2005 to 2011, between 18 and 19 percent. On average, real hourly wages have been increasing for both men and women, excluding a decline in 2009 right after the financial crisis. In 2009, the gender wage gap was the highest, 19.5 percent.

In all countries, and across virtually all worker categories, men earn more than women. The gender wage gap is increasing by education, experience, and age. Among female and males with tertiary education, the gender wage gap was 31.7 percent in 2011, compared to 15.4 and 16.0 percent among primary and secondary education groups respectively. On average, women are more educated than men so it is not the case that women do not have access to education or sufficient skills, but they may face obstacles in the labor market. Using 2007 data on 26 European countries, Christofides, Polycarpou, and Vrachimis (2013) find evidence of higher gender wage gaps at the high end of the wage distribution suggesting the presence of a glass

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ceiling. Arulampalam, Booth, and Bryan (2007) also find evidence of a glass ceiling using 1995-2001 data.

In a few cases, females earn more than men, but this is seen only in low wage profiles. One is the case of family workers, but family workers earn some of the lowest wages, and comprise less than 1 percent of all workers. Another exception is young workers, females aged 15-24 earn slightly more than males in the same cohort.

To explain the gender wage gap, wage differences are decomposed following Nopo's (2008) nonparametric matching decomposition. Results for EU-28 countries are compared to Atal, Nopo, and Winder's (2009) study of the gender wage gap in the Latin American and Caribbean (LAC) region, which also uses Nopo's method.

Below is a summary of main findings from the paper:

1. Unlike LAC, in nearly half of EU-28 countries, differences in the distribution of observed characteristics do explain a *positive* portion of the gender wage gap, or females earning less than males. A driving observable factor in explaining the EU-28 wage gap is the differences in distribution of part-time and full-time work. About 30 percent of women are employed in part-time work compared to only 5 percent of men. Since the principle observed explanatory factor of the gender wage gap is differences in part-time and full-time work, constraints to women's labor force participation and ability to work are of particular interest. In a 2010 European Commission study, females are much more likely than men to cite housework and care of other family members as the reason why they do not work more than 30 hours a week.
2. The gender wage gap is larger among the more educated and more experienced. This implies that in the EU-28, the gender wage gap is not a problem of poverty or access to opportunities, but one of equity
3. In the EU-28, and similarly in LAC, the largest component of the gender wage gap is unexplained, and gaps due to non-overlapping female and male profiles are small. Across several worker categories, the unexplained gender wage gap was decreasing before the financial crisis and then increased during the financial crisis. This can be related to poor skills matching as jobs were lost and workers found jobs below their qualifications. The EU-28 experiences high unexplained gaps among the high end of the wage distribution,

among the higher educated and more experienced, which implies that women are facing barriers in reaching the highest labor profiles, or the presence of a glass ceiling.

4. In contrast to LAC, the unexplained gender wage gap is the highest in the EU-28 at the top of the wage distribution. In LAC, higher unexplained gaps are seen in the low tail of the wage distribution.
5. In recent years, the EU-28 unexplained wage gap is higher among the more experienced and older workers. This can be related to skills mismatch and a tighter labor market following the financial crisis. However, across education groups, the levels of unexplained gaps are similar.
6. A final policy consideration that is left for future analysis is the trend of the gender wage gap in the context of aging. Gender wage gaps increase with age, especially the unexplained component. Moreover, women are primary caregivers and as the population ages, will more women stay home to care for family members? Most of the countries in the EU are expected to age, and quickly, what does this mean for gender equity in the future?