Communicating on gender differences in earnings: Beyond the gender pay gap

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Introduction

✓ Reducing the gender pay gap is one of the key priorities of EU gender policy

✓ The unadjusted GPG is the leading indicator used to evaluate the progress in reducing the gap

✓ The unadjusted GPG is calculated as follows:

\[
\text{Mean hourly earnings of men} - \frac{\text{Mean hourly earnings of women}}{\text{Mean hourly earnings of men}}
\]
Towards a decomposition methodology

The unadjusted GPG does not capture discrimination as such ...

... but combines:

- possible differences in pay between men and women, for ‘equal work’,
- the impact of differences in the average characteristics of men and women in the labour market
Data source

✓ Microdata from the Structure of Earnings Survey 2014 used ...

... to measure the impact of differences in the average characteristics of men and women

✓ Microdata cover two broad areas:
  ▪ the earnings of individual employees
  ▪ the observed characteristics of individual employees
Decomposition methodology

✓ The Blinder-Oaxaca decomposition method applied on the SES dataset ...

... to isolate the contribution of each observed characteristic to the unadjusted GPG

✓ The unadjusted GPG can be separated into:
  - the explained part due to the differences in the average characteristics of male and female employees
  - the unexplained part due to differences in financial returns
Decomposition of the unadjusted GPG
The adjusted (unexplained) and unadjusted GPGs
The explained GPG

✓ Strongly driven by three explanatory factors:
  ▪ economic activity
  ▪ occupation
  ▪ education

✓ ‘Self-selection’ of women associated with the negative explained GPG
Decomposition of the explained GPG
A decomposition of the unadjusted gender pay gap using Structure of Earnings Survey data

DENIS LEYTHIENNE, PIOTR RONKOWSKI

2018 edition
Other gender segregation effects

- Lower employment rate of women
- Lower number of hours worked
- Sectoral and occupational segregation
- Unequal pay for equal work

Gender segregation effects

Unadjusted gender pay gap
Sectoral and occupational segregation
Conclusions

✓ The unadjusted GPG indicator, together with the explained gap and its explanatory factors, allow for a better identification and interpretation of the causes of the gender pay gap. Policy actions can be better targeted.

✓ However, the adjusted GPG is model-dependent. The decomposition still misses important variables not present in the Structure of Earnings survey. On the opposite, the adjusted GPG could underestimate possible discrimination related to gender and occupational segregation effects.
Conclusions (continued)

✓ A candidate for measuring the impact of all forms of gender differences in earnings is the gender overall earnings gap. This indicator measures the final difference between the average earnings of all men and women of working age, and estimates the future gender pension gap that would result if no corrective actions are taken.

✓ Gender pay gaps are complex phenomena. They are better communicated to the general public through a set of simple indicators measuring each of the underlying causes.