

The gender pay gap and poverty

Almost 80 million Europeans are at risk of poverty. This can mean not having somewhere to live or food to eat. Poverty can also mean lacking the resources to meet the ordinary demands of life which can lead to exclusion as people are unable to join in the everyday activities that the rest of society often takes for granted.

In most EU Member States more women (17%), experience poverty than men (15%). Single parents, the majority of whom are women, are especially vulnerable with 35% experiencing poverty. The gender pay gap plays a key role in this difference as the inequalities between men and women's salaries over a lifetime can have a significant impact on women's earnings and pensions. This leads to older women having a higher risk of poverty (22%) compared to 16% for men.

The gender pay gap has many causes. Women often do jobs which are less valued than similar roles traditionally done by men. This situation is reinforced by segregation in the labour market, which sees women working in sectors and occupations which are less well paid compared to those which are male-dominated. Segregation is frequently linked to traditions and stereotypes which may influence the choice of educational paths and, consequently, the careers that girls and women pursue. Once in work, women can experience barriers to career progression (the so-called 'glass ceiling') which results in them being under-represented in managerial and senior positions.

Achieving a work-life balance is also often a concern for women who are more likely to take career breaks or work part-time in order to take care of children and other dependants. Periods out of work or on lower pay can lead to gaps in pension entitlements or a lower pension which in turn can cause poverty in old age.

Activities to explore the link between gender equality and poverty are planned during the 2010 European Year for Combating Poverty and Social Exclusion which aims to raise public awareness of poverty and social exclusion.

Information on the gender pay gap

Please find further information (What is the Gender Pay Gap? Which are the causes? What is the EU doing? How is it measured? The situation in the EU; How to tackle the problem? Action at national level: examples) on our website in all languages: <http://ec.europa.eu/equalpay>

What is the gender pay gap?

On average, women in the EU earn 18 % less than men.

The gender pay gap measures the difference in average hourly earnings between men and women in paid employment across the economy as a whole.

Why do women still earn less than men on average?

The gender pay gap is a complex issue with multiple causes, often inter-related:

- **Direct discrimination:** Sometimes women still earn less than men for doing the same job. But because so much progress has been made in recent years, and we now have effective European and national legislation, this factor only explains a limited part of the gender pay gap.

- **Women's competences and skills are undervalued:**

More frequently women earn less than men for doing jobs of equal value. In fact, whilst women represent 59 % of all new university graduates, women's work is still often seen as less valuable than the work that men do, all other things being equal. Pay scales for jobs requiring similar skills, qualifications or experience tend to be lower when they are predominantly done by women. For example, in a supermarket female cashiers usually earn less than the store men.

- **Segregation of the labour market:** Women and men still tend to work in different jobs. Women often work in sectors where wages are, on average, lower than those dominated by men. More than 40 % of women work in

health, education and public administration – twice as many as men. Only 29 % of scientists and engineers in the EU are women. Moreover, women are mainly employed as administrative assistants, shop assistants or low skilled or unskilled workers with associated lower rates of pay.

- **Traditions and stereotypes:** Whilst this may reflect personal preferences, traditions and stereotypes may also influence, for example, the choice of educational paths and employment patterns.
- **Balancing work and private life:** The pay gap also reflects structural obstacles to one's work life, which continue to predominantly affect women. Women have more frequent career breaks, which has a negative impact on their professional development. It also means less financially rewarding careers. The gender pay gap reduces lifetime earnings and women's pensions causing poverty for women in later life.

Why does it matter?

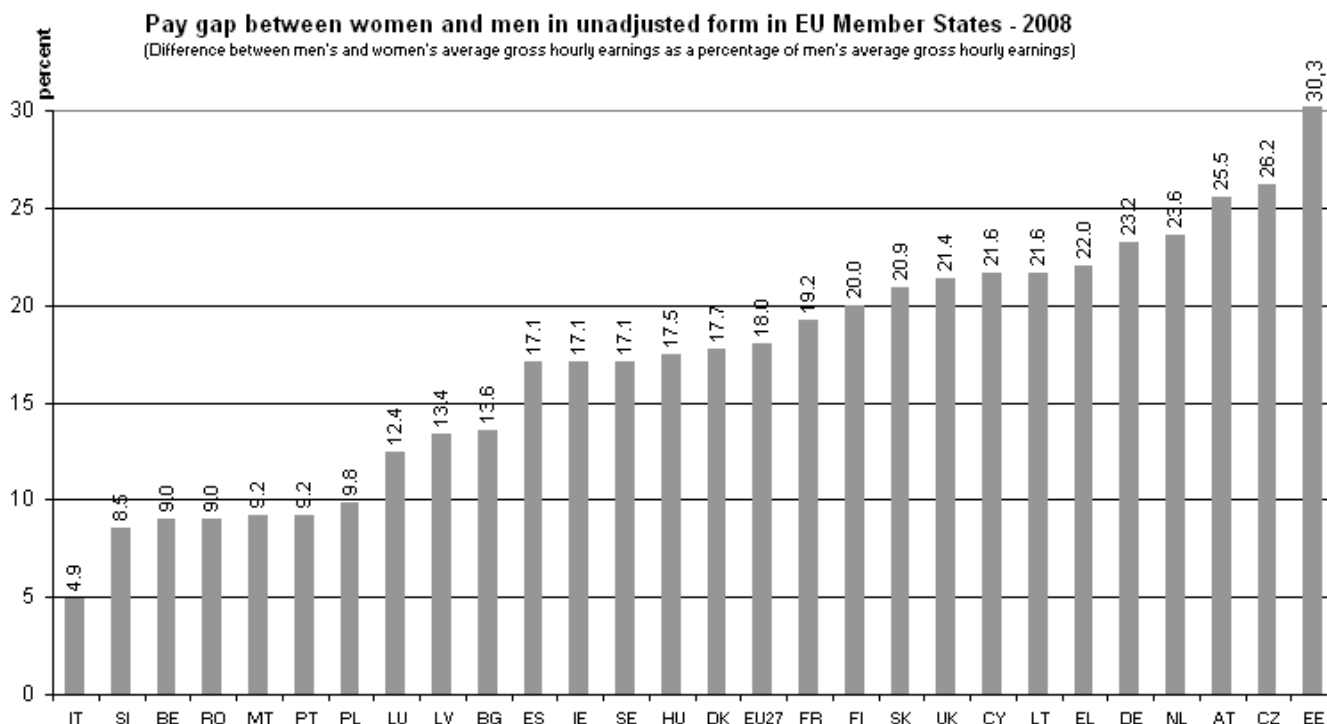
Closing the gender pay gap makes good business sense and it creates a more equal society.

Companies that build equality into their workplaces will create the **best workplaces** to work in for everyone. Paying women and men for their actual skills and valuing their contribution on an equitable basis can result in the recruitment and retention of the best and **most talented staff**. Employers gain from using women's skills and talent more effectively by ensuring that women benefit from training and career development initiatives.

This is important to increase productivity and competitiveness. An increasing number of studies have found a correlation between greater gender equality and profitability, especially in top management posts. Other research indicates linkages between gender balance in management teams and innovation capacity.

Closing the gender pay gap can help to create a **more equal and cohesive society**.

It helps to empower women and **increase their financial independence**. It can increase women's earnings throughout their working life and reduce levels of poverty, particularly when women retire.



Source: Eurostat. Structure of Earnings Survey 2006 and national sources (2008) for yearly SES-comparable estimates. Provisional data for EU27, FR, ES and CY. Exception to the reference year : 2007 data for IE, DK, NL and EE.

Higher percentage of low-wage earners among women

In the EU-27 in 2006, 23.1% of all female full-time workers were low-wage earners (20.1% in the euro area), whereas only 13.5% of all male full-time employees were low-wage earners (Table 3).

The proportion of female low-wage earners was higher than the proportion of male low-wage earners in all Member States except Hungary. The countries with the highest proportion of female low-wage earners were Cyprus (33.4%), Latvia (32.3%), the United Kingdom (30.6%) and Lithuania (30.1%). Their proportion was the lowest in Finland (8.8%), France (10.6%), Denmark (11.6%), Belgium (12.8%), Malta (13.3%) and Sweden (14.9%).

Table 3: Proportion of low-wage earners (full-time employees) by sex and by type of employment contract, in %, 2006

Proportion of low-wage earners among full-time employees having the same sex or the same contract duration				
	Men	Women	Indefinite duration contract (1)	Fixed-term contract (1)
EU-27	13,5	23,1	15,6	30,5
EA-16	11,7	20,1	12,5	26,7
BE	4,8	12,8	6,6	12,9
BG	26,5	27,7	25,6	44,9
CZ	9,5	26,1	14,8	28,0
DK	4,7	11,6	6,9	8,7
DE	15,9	28,0	15,4	44,0
EE	11,7	28,7	21,6	19,6
IE	15,6	28,7	21,1	33,0
EL	12,4	23,2	21,5	5,1
ES	11,2	22,6	12,4	25,6
FR	7,7	10,6	7,9	19,7
IT	11,5	16,2	12,3	28,3
CY	11,0	33,4	21,3	27,2
LV	29,2	32,3	30,8	32,9
LT	25,0	30,1	27,8	22,2
LU	11,9	24,6	14,2	41,7
HU	24,5	22,3	22,6	37,8
MT	10,1	13,3	10,4	18,5
NL	10,5	25,0	11,9	31,8
AT	9,2	28,7	11,5	24,8
PL	18,3	26,3	16,6	39,2
PT	14,5	26,6	18,0	29,2
RO	25,7	27,8	26,7	29,5
SI	12,1	21,3	13,0	27,2
SK	10,8	25,0	16,6	25,3
FI	3,3	8,8	4,8	16,2
SE	7,6	14,9		
UK	15,6	30,6	21,0	42,6
TR	0,6	0,7	0,6	1,0
IS	6,4	21,7		
NO	4,9	8,8	5,4	17,2

Notes: Data refer to enterprises with 10 employees or more and to NACE Rev. 1.1 sections C to O excluding L.

(1) Excluding apprentices. EU-27 without SE.

Source: Eurostat, SES 2006

The impact of the pay gap on women's pensions

Across the EU women over 65 face a higher risk of poverty compared with men, the figure stands at 22% versus 16% for men (2008). There are several underlying factors to explain this difference.

One must note the problem of the gender pay gap, which stands at 18% for every hour worked. The pay gap is linked to a number of legal, social and economic factors, often interrelated. Its persistence results from direct discrimination on the labour market and structural inequalities, such as access to education and training, sectoral and occupational segregation, biased job evaluation and pay systems and the under-valorisation of female dominated jobs. But even those women who do not earn less than their male colleagues face other challenges to their career development, notably due to their role in childcare and care for dependants. In fact it is mainly women who interrupt their career for caring purposes and even when they come back to work, they have greater recourse to part-time work in order to combine it with their family responsibilities.

Financially less rewarding careers and longer interruptions from their work are significant contributory factors to women's lower pension entitlement. All Member States try to correct the insufficient pension accrual of women by applying specific measures in their pension systems, such as the equalization of the retirement age for women and men, benefits in the case of divorce, survivor's pensions or minimum guarantee pension schemes, which can have a positive effect on ameliorating the situation of women.

The emphasis on strengthening the link between contributions and benefits in the reform of many European pension schemes, however, may have specific impact on women's pension entitlements, if labour market inequalities persist. Generally speaking longer contributory periods needed for a full pension have redistributive effects that are often to the advantage of women, who often tend to have longer and flatter income careers as opposed to those with shorter steep income careers who tend to benefit from shorter contributory periods. From a legal point of view, Directive 86/378/EEC¹ and Directive 79/7/EEC² in principle prohibit provisions contrary to the principle of equal treatment. These provisions shall include those based on sex, either directly or indirectly, in particular by reference to marital or family status for fixing different retirement ages. This means that the obligation for women to work as long as men will permit them to reach a better level of pension benefits.

At the same time, if contributory periods are to be extended it is also important to consider the protection for periods of family-related career breaks in the pension system. This is especially important for women who tend to have a weaker link to the labour market and also tend to take on a majority of the care responsibilities.

Finally, the weak position of women on the labour market can be intensified given the current economic situation and high unemployment. Women are more often engaged in part time and non-permanent work contracts, making their situation more vulnerable. It is therefore important that Member States consider their protection during unemployment and subsequently in the pension schemes for those with atypical career patterns and work contracts. This is especially important in Member States where a substantial part of social security and pensions rely on occupational schemes, as those with atypical contracts may not be covered by such schemes.

¹ Directive 86/378/EEC on the implementation of the principle of equal treatment for men and women in occupational social security schemes as amended by Council Directive 96/97/EC of 20 December 1996. This Directive is now part of the Recast Directive 2006/54/EC.

² Council Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security