The Gender Pay Gap – EU & Ireland

Equality between women and men is one of the European Union’s founding values, with the principle of equal pay for equal work being part of the Treaty of Rome in 1957, and the Equal Pay Directive 1975. Despite this commitment, the gender pay gap in Europe still exists and is growing in some countries.

What the Gender Pay Gap Means

This gap is the difference in average gross hourly wage between men and women across the economy.¹ Gender pay gap can be evident through the discrepancies in pay for the same job but can also refer to the career progression opportunities afforded to women.

There are many ways to measure the pay gap and the method you use will have an impact on your answer. “The Office of National Statistics (UK) measures the gender pay gap by comparing the median hourly earnings of men and women, excluding overtime. This takes account of the fact that statistically men work more hours on average than women. The median calculation reflects the mid-point of a range of earnings, and using this method is said to be preferable because there is less distortion by very high or very low earnings.”²

At present, in the EU, for every euro a man earns, a woman earns 84 cents.³ Put simply, this means women actually work for free for some weeks of the year. To highlight this inequality the European Commission launched the European Equal Pay Day. The date changes each year depending on the annual European gender pay gap. In 2015, Monday 2nd November marked the day.

“Monday 2 November marks the day in the year when women across Europe stop earning for the rest of the year in comparison to men... because of an average hourly wage for women 16% inferior to that of men. Equality between men and women is one of the fundamental values of the European Union, but this day reminds us that it is not one of its fundamental realities”.⁴

Commissioner for Justice, Consumers and Gender Equality, Věra Jourová, 2015

The long-term impact is that women earn less over their lifetimes resulting in lower pensions⁵ and a risk of poverty in old age. In the EU in 2012, 21.7 % of women aged 65 and over were at risk of poverty, compared to 16.3% of men.⁶

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¹ European Commission
² http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2015/12/10/employers-should-start-measuring-their-gender-pay-gap-now.aspx
The Situation in Ireland

In 2008, the gender pay gap in Ireland was 12.6%, rising to 13.9% in 2010 and 14.4% in 2012 (the gap is still 14.4% in 2015). Whilst Ireland is below the European average of 16%, it is one of just 6 EU countries where the pay gap has widened in recent years (along with Hungary, Portugal, Estonia, Bulgaria and Spain). The gender pay gap here is 4% for the bottom 10% of earners but jumps to 24.6% when for the top 10% of earners.\(^7\)

Reasons for Gender Pay Gaps\(^8\)

There are various reasons for the persistence of the gender pay gap, from simple discrimination to the impacts of cultural and social norms.

- **Management positions are often held by men** – the gap can also highlight diversity issues in recruitment and promotion practices within a company. In Ireland, women account for 46% of the workforce but only 11% of board members.
- **Women often take on the primary carer role** – this often results in career breaks which can affect a woman’s salary for the rest of her life. On average working men spend 9 hours per week on unpaid care and household activities while working women spend 26 hours on similar activities.\(^9\) In the labour market we see this by the fact that more than 1 in 3 women reduce their paid hours to part-time while only 1 in 10 men do.
- **Segregation in education and labour market** – some sectors of the labour market are over represented by women and others by men, in part due to the influence of cultural stereotypes. Many of sectors that women “traditionally” go into are lower paid.
- **Pay Discrimination** – whilst illegal, this is still a factor; bonus systems can also disguise pay gap inequalities.

Why Irish Business Should Take Action

- **Demonstrate best practice** - a survey done by the European Commission on gender equality shows that 81% of Irish people and 76% of Europeans surveyed believe that tackling inequality between men and women should be a priority for the EU.\(^10\)
- **Recruit and retain the best employees** – as the EU faces a growing skill shortage it cannot afford to under-utilise the skills and talent of over half the population. Only 59% of women compared to 70% of men are employed and far more women work part time (32% women and 8% men).\(^11\)

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\(^7\) McKinley – The Gender Pay Gap on Ireland, 06.03.2015  
Briefing Note: Gender Pay Gap

- **Brand reputation** – it is widely acknowledged that the millennials look for different things from an employer than their predecessors. As more transparent corporate reporting gains momentum, companies lagging behind will face critical potential employee and consumer scrutiny.

- **Fairer society and economic growth** – closing the gender pay gap brings benefits to society and the economy as a whole. It improves economic competitiveness and it will increase women’s earning power and their ability to grow pension entitlements.

- **Create a positive work environment** - where everyone’s work is valued equally and career progress is transparently based on merit.

**The State of Play in Europe**

Closing the gender pay gap in the EU is central to achieving the growth objectives of the EU Europe 2020 Strategy. Between 2010-2015 the European Commission ran the Equality Pays Off campaign to promote the business benefits of this agenda along with a platform for sharing best practice. One key conclusion was that gender equality is not just a fundamental right, but also a precondition for future economic success.

In the UK, regulations have been introduced that require companies with more than 250 employees to carry out an equal pay review and to publish their gender pay gap on the company website. The proposed penalty for non-compliance is a £5,000 fine, however the associated negative publicity and employment relations risk will likely be far more costly.

Other countries such as Sweden, Austria, Belgium, Germany, Switzerland and Luxembourg have all taken action to tackle the gender pay gap using various requirements including pay surveys, action plans and reporting.

Unfortunately after years of legislation gender inequality is still present. The gender pay gap is not just a result of direct pay instead there are many social and cultural factors at play. Closing the gap has obvious and clear benefits for both employers and the economy. Irish companies have an opportunity to be proactive in this area and promote equality both in Ireland and in Europe.

**5 Actions that a Company can take**

1. Conduct a **pay audit** across the company. Based on the audit, put an action plan in place and communicate the process with employees.
2. Look at **jobs adverts** – what talent pool are you targeting and how inclusive is the language used.
3. The **recruitment process** – including salary negotiation at interview stage.
4. **Job evaluation** – proactively promote training programmes such as unconscious bias.
5. **Mentoring programmes** – focus on advancing women’s careers into specialist and / or leadership roles.