Understanding the gender pay gap: What role do sector and occupation play?
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The gender pay gap is persistent in labour markets worldwide. Pay differentials between men and women have narrowed over time in the EU and the United States, but this decline has been slower than expected, given the huge increase in women’s labour market participation and their typically higher educational attainment among younger cohorts.

The principle of equal pay for equal work or work of equal value has been enshrined in the EU treaties since 1957 and translated into EU law. Nevertheless, women still earn less than men on average, and they are overrepresented among minimum wage earners. As this has clear implications for women’s lives, notably in terms of financial security, risk of poverty and generally lower pensions, eliminating the gender pay gap by addressing its root causes continues to be a policy priority for the EU.

Because gender pay gaps and discrimination are easier to detect when information about the pay levels in organisations is available, the 2021 proposed directive on pay transparency aims to make that information available to employees and, in the case of large companies, to the public. Moreover, another proposed directive on adequate minimum wage levels, promoting higher minimum wages and wider coverage of collectively agreed wages, would benefit female employees especially, by setting higher wage floors among lower-paid employees, where women are in the majority.

This policy brief feeds into the debate by providing estimates of the gender pay gap in the EU as a whole and across the Member States using the latest available data. The analysis explores variation in gender pay gaps across sectors and occupations, both of which have been shown to influence gender pay differentials. It also identifies how much these and other factors contribute to gender disparities in pay. The relevance of some recent EU-level policies to reducing pay differentials between male and female employees is discussed.

The policy brief is linked to the European Jobs Monitor 2021 report, which examines the effect of the rising employment rates of women on the employment structure over the past two decades.
Equality between women and men is one of the objectives of the EU. The principle that men and women should receive equal pay for equal work has been enshrined in the European treaties since 1957. Over time, changes to the legal basis of the EU have helped to shore up this principle and its implementation.

The overarching commitment to gender equality is laid out in the Treaty on European Union (Articles 2 and 3) and in the EU Charter of Fundamental Rights (Article 21 on non-discrimination). The Treaty on the Functioning of the European Union tasks the Union with:

- eliminating inequalities and promoting equality between men and women in all of its activities (the concept of gender mainstreaming, Article 8)
- adopting legislation to combat all forms of discrimination, including on the basis of sex (Article 19)
- acting in the wider area of equal opportunities and equal treatment in employment matters (Article 153)
- asking Member States to ensure the application of the principle of equal pay for equal work among male and female workers and authorising positive action to empower women (Article 157)

Gender equality is also a key principle of the European Pillar of Social Rights, which reaffirms that women and men have the right to equal pay for work of equal value. The Pillar states the need to ensure and foster equality of treatment and opportunities between women and men in all areas, including participation in the labour market, the terms and conditions of employment, and career progression. The Social Scoreboard, which monitors progress in the various areas of the Pillar, includes among its indicators the gender employment gap, the gender gap in part-time employment and the gender pay gap. In March 2021, the EU set a target to halve the gender employment gap by 2030 compared to 2019.

A series of concrete initiatives at European level has already been launched to implement the principles and rights set out in the Pillar. For example, the Directive on work–life balance for parents and carers was adopted in 2019 to improve employees’ access to working time arrangements that help them balance work commitments with family responsibilities (such as family- and care-related leave and flexible work arrangements) and to strengthen take-up of such provisions by men. In 2020, the Commission launched the Gender Equality Strategy 2020–2025, which presents policy...
objectives and actions to make significant progress towards a gender-equal Europe by 2025. It aims to close gender gaps in the labour market, achieve equal participation across different sectors of the economy, and address the gender-based gaps in pay and pensions.

Two recently proposed directives address gender disparities in pay more specifically. The Directive on adequate minimum wages (published in October 2020) intends to raise the level and coverage of minimum wage floors via higher statutory minimum wage rates and wider collective bargaining coverage. To ensure adequate statutory minimum wage levels, the directive sets out the prerequisites for Member States on which to base their own decisions on rates. These include setting and updating the rate in a regular and timely manner, based on the advice of consultative bodies, and adhering to a set of stable and clearly defined national criteria (such as the purchasing power of statutory minimum wages, the general level of gross wages and their distribution, the growth rate of gross wages, and labour productivity developments). The directive also requires Member States to improve their collective bargaining coverage and to develop action plans with this aim whenever coverage is below 70%. Since women are more likely to receive lower wages and are overrepresented at the bottom of the wage distribution, they should benefit relatively more from higher wage floors than their male counterparts.

The proposed directive on pay transparency, launched in March 2021, aims to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through binding pay-transparency measures and enforcement mechanisms. The rationale for this initiative is based on the 2014 Commission recommendation that aimed to reduce the gender pay gap by encouraging Member States to implement at least one of four measures to ensure that employees are aware of pay levels in the organisation they work for: the individual’s right to request pay information; compulsory company-level gender pay reports for companies with more than 50 employees; gender pay audits, with detailed analysis, for larger companies; and encouraging the social partners to take the matter into account in their collective bargaining.

After the limited take-up of that recommendation by the Member States (Eurofound, 2021), many of which failed to adopt any measure, the recently proposed directive on gender pay transparency bolsters the set of tools for delivering its objectives compared to those presented in the 2014 recommendation. Apart from better access to justice for those who experience pay discrimination, this directive compels employers to:

- be transparent on pay for jobseekers
- provide information to workers who request information on their pay levels (and on the average pay levels, broken down by gender, for categories of workers doing the same work or work of equal value)
- report on gender pay gaps (in organisations with at least 250 employees)
- conduct a joint pay assessment if a non-justified gap of more than 5% emerges
In 2019, the hourly wage levels of women in the EU were on average around 14% lower than those of men. The gender pay gap ranged from a high of around 20% in Estonia, Latvia, Austria and Germany to a low of less than 5% in Italy, Romania and Luxembourg.

The gender pay gap has narrowed in the EU over the last decade but mostly in recent years. It fell from 15.8% in 2010 to 14.1% in 2019 and has reduced in two-thirds of Member States.

The gender pay gap is larger among higher earners, highly educated employees and those with privileged labour market status related to age, job tenure, contractual arrangement (permanent, full-time contract) and supervisory responsibilities.

The occupational categories with the highest average pay levels – managers, professionals and technicians – tend to have larger pay disparities between women and men, although the pay gap is also relatively wide in the lower-paid category of craft workers. Gender pay gaps are also relatively wide in some high-paying sectors, notably financial services, information and communication, and professional activities. Nevertheless, this relationship is weakened by the relatively low gender pay gaps in some other high-wage sectors (such as electricity and mining).

An analysis based on jobs – where a job is a given occupation within a given sector – shows that the gender pay gap is much wider in well-paid jobs in the top two wage quintiles in the EU: 18% in the highest-paid quintile and 10% in the next highest-paid, compared to 7% in the lowest-paid quintile.

Gender pay differentials are larger in some gender-balanced sectors (such as financial services, professional activities, wholesale and retail trade, and arts and entertainment), while the most male-dominated sectors stand out as having some of the lowest gender pay gaps (below 10% in construction, mining, water, electricity and transportation). A high gender pay gap, just below 20%, is found in the female-dominated health sector.

The reasons for the gender pay gap are largely not explained by survey data. Our analysis was able to explain one-third of the gap in terms of observable work-related and personal characteristics such as educational attainment, working time or the economic sector where the employee works.

The two-thirds unexplained portion of the gender pay gap can be attributed to a combination of discrimination – women and men being paid unequally for work of the same value – and other factors including different attitudes and behaviours between male and female workers (for instance, in relation to wage bargaining).

Sector and working time are the main contributing factors to the one-third portion of the gender pay gap that can be explained. Women tend to work in lower-paying sectors and are much more likely to work part-time and, as a result, to suffer the ‘part-time pay penalty’. They are also less likely to have supervisory responsibilities than their male counterparts, a third significant factor contributing to pay differences.

Female employees have higher average educational attainment in nearly all countries, but this is not reflected in higher pay in any Member State.
Exploring the evidence

European labour markets have been transformed in the last two decades from a gender perspective, with a significant rise in women’s labour market participation. Cumulative headcount employment growth from 1998 to 2019 in the EU27 has been 2:1 in favour of women, and it is female employment growth that has driven increases in the employment rate. Yet even though progress has been made in narrowing the gender employment gap, women continue to participate less than men in the labour market. Moreover, while women have been taking up a bigger share of high-paying jobs in recent years, they continue to be heavily overrepresented in lower-paying jobs, as reported by the European Jobs Monitor 2021 report. And they are paid less on average than men – hence the persistent gender pay gap.

This policy brief explores the evidence on gender pay gaps among employees in the EU. It begins with an overview of the gender pay differentials in the EU and across the Member States, using the most recent 2019 estimates from Eurostat data. This is followed by a more detailed analysis of how the pay differences between men and women vary across economic sectors and occupations, based on microdata from the latest 2018 wave of the Structure of Earnings Survey (SES). Variation across other work-related and personal characteristics is examined too. The last part of the analysis identifies the main factors that explain the gender pay gap and the extent to which the gap remains unexplained by measurable factors.

State of play in the EU

The gender pay gap among employees in the EU stood at 14.1% in 2019, meaning that women in the EU earn 14.1% less per hour than men. This figure hides significant differences across the Member States, as the gender pay gap ranges from around 20% in Estonia, Latvia, Austria and Germany to below 5% in Italy, Romania and Luxembourg (Figure 1, which ranks countries by size of gap, from widest to narrowest, in 2019).
No clear country clustering based on welfare state regimes or timing of EU accession can be identified. The size of the gender pay gap is not clearly associated with national average wage levels. The gap is large both in high-wage Member States (Austria and Germany) and in low-wage Member States (Estonia and Latvia). Conversely, the gap is narrow in both high-wage Member States such as Luxembourg and low-wage Member States such as Romania.

The gender pay gap has narrowed over the last decade. For the EU, it was stable between 2010 and 2014 (15.8% and 15.7%, respectively), before falling in recent years to 14.1% in 2019. It has narrowed in around two-thirds of Member States, especially in Luxembourg (by more than 7 percentage points, from 8.7% to 1.3%), Cyprus (6.7 percentage points), Estonia (6.0 percentage points) and Romania (5.5 percentage points). On the other hand, it has widened in one-third of countries, all of them post-2004 accession Member States except France, especially in Slovenia (by 7 percentage points, from 0.9% to 7.9%), Croatia (5.8 percentage points), Latvia (5.7 percentage points), Malta (4.4 percentage points) and Poland (4 percentage points).

The size of the gender pay gap is related positively to female employment rates across the Member States: the higher the female employment rate, the higher tends to be the gender pay gap (Figure 2). The fact that the narrowest pay differentials between male and female employees occur in those labour markets where women are less likely to be employed (and vice versa) is counterintuitive.

1 A similar association exists between the magnitude of the gender pay gap and female employee shares (the proportion of women among the total number of employees) across Member States.
However, in those labour markets where barriers to female participation are higher – due, for instance, to the persistence of a strong gendered division of household caring responsibilities or lack of affordable childcare options – the profile of women in paid employment tends to be skewed towards highly skilled and high-paying jobs (EIGE, 2018).

Gender segregation in the labour market

Decline in gender-balanced jobs

Gender segregation in employment across sectors and occupations remains deeply rooted in the EU. While the share of women in employment has been increasing, it has been in those sectors and occupations that already employed high numbers of female workers. In terms of sector, these are mainly state-funded service sectors such as health and education, where the female majority has tended to grow over the last two decades, and public administration, where women represent almost half of employees. At the same time, women’s share of employment has contracted in some sectors where it was already relatively low two decades ago, such as mining, transportation, manufacturing and agriculture.

In terms of occupation, those with traditionally high and growing female employment rates include professionals (such as nurses and teachers) and elementary occupations (such as cleaners and helpers).

As a result of these trends, the employment share of gender-balanced jobs – those in which each gender accounts for at least 40% of total employment – declined from 27% in 1998 to 18% in 2019, which means that fewer than one
in five workers holds a gender-balanced job (Eurofound and European Commission Joint Research Centre, 2021).

The fact that women and men continue to work to a significant extent in different sectors and occupations influences the wages they receive. The gender division of labour takes place at two levels: horizontally, due to different concentrations of men and women across sectors; and vertically, due to the disparate concentration of men and women in different grades, at different levels of responsibility, or in different positions within companies and organisations. Both dimensions have typically been considered when studying the gender pay gap (Blau and Kahn, 2007; Boll and Lagemann, 2018; Leythienne and Ronkoswki, 2018).

**Gender pay gap across economic sectors**

The gender pay gap varies widely across sectors, ranging from over 20% in manufacturing and several service sectors (financial services, professional activities, wholesale and retail trade, and arts and entertainment) to below 10% in other sectors, such as transportation, mining, construction and water supply (Figure 3).

*Figure 3: Gender pay gap (%) and average wages by sector, EU, 2018*

![Figure 3: Gender pay gap (%) and average wages by sector, EU, 2018](image)

**Notes:** Sector classification of NACE (Nomenclature statistique des activités économiques dans la Communauté européenne) Rev. 2 at the one-digit level. Sectors are ordered from lowest to highest female employment shares. Wage levels (right axis) are expressed as a ratio dividing the wage of each employee by the mean hourly gross wage at national level, so that a value of 100 would equal the average wage across countries. The EU aggregate is for 25 Member States (no data for Austria and Ireland).

*Source: SES (2018)*
The gap tends to be wider in sectors with higher wages (for instance, financial services, information and communication, and professional activities). Nevertheless, this relationship is weakened by the relatively low gender pay gaps in some other high-wage sectors (such as electricity and mining), which have a very high male presence and where women and men tend to have different occupational profiles.

Different employment growth dynamics also affect the gender pay gap. Public sector employment (in public administration, education and health) has played an important role in boosting women’s labour force participation as well as overall job quality (Gornick and Jacobs, 1998). The growing share of women’s employment in these sectors – and other relatively well-paying sectors such as financial services and electricity – is one factor reducing gender pay gaps.

As regards sectoral segregation, gender pay differentials are larger in some gender-balanced sectors (such as financial services, professional activities, wholesale and retail trade, and arts and entertainment), but they are more modest in public administration, as well as accommodation and food activities. A high gender pay gap of around 20% is also found in the female-dominated sector of human health and social work activities and in the male-dominated sectors of manufacturing and information and communications technology (ICT). Notably, the most male-dominated sectors stand out as having some of the lowest gender pay gaps (around 10% in electricity, less than that in mining and water supply and less than 5% in construction and transportation).

The particularly narrow gap in sectors where the female employment share is very low, such as construction, is attributable in significant part to men and women doing very different jobs within these sectors. In some more gender-balanced sectors such as financial services, by contrast, the occupational profiles of men and women overlap much more. It is also the case in the female-dominated health sector, although the employment distribution by gender across occupational titles here is significantly different, as is discussed shortly. This can be a confounding factor when assessing differences in men’s and women’s pay.

To explore this finding further, the next section looks in more detail at the gender pay gap in three different sectors.

**Distribution of occupations by gender in construction**

Construction is an example of a very male-dominated private sector characterised by a narrow gender pay gap due to men and women having quite different occupational profiles. Figure 4 shows the five occupations held by most men and women in construction. Over 75% of men work mainly in the blue-collar jobs characteristic of this sector (building workers, labourers, electrical workers, and drivers and mobile plant operators), while 60% of women work in white-collar occupations. Female employees in these more office-based occupations receive relatively high wages on average, which helps to explain why the gender pay gap in the construction sector as a whole is narrow. In fact, engineering associate professionals is the only occupational category common to men and women among the five categories depicted, and here a significant gender pay gap emerges.
Distribution of occupations by gender in financial services

The financial services sector is an example of a gender-balanced sector with a relatively large gender pay gap. Unlike the construction sector, the occupational profile by gender is much more similar, as over 80% of men and women work across almost the same occupational categories, sharing six out of the seven largest-employing occupations for their gender (Figure 5). But a large gender pay gap is evident in this sector because more men than women occupy some of the highest-paid occupations (such as specialised services managers and administrative managers) and because they receive higher wages than women within the same occupational category.
Distribution of occupations by gender in health

Health is a largely publicly funded sector that is female dominated. Like financial services, it is an example of a sector where most men and women work across very similar occupational categories, sharing six out of the seven largest-employing occupations (Figure 6). Nevertheless, a relatively high gender pay gap emerges again, because more women hold lower-paying occupations (such as cleaners, personal care assistants and health associate professionals), and their wages are lower than those of men working within the same occupational categories, reflecting their segregation into lower-paying jobs within those occupations.

The very large gender pay gap in the health professional occupation is important to note. It reflects the fact that even at this level of occupational description (ISCO two-digit), men and women tend to have quite different profiles, with men relatively overrepresented in senior, specialist doctor grades and women overrepresented in lower-paying specialisations such as midwifery and nursing. Similar segregation within occupational groupings has been observed in the financial services sector, where female workers are assigned less-valued tasks than men, resulting in lower earnings (Roth, 2006). Another important caveat is that even where men and women work across very similar occupational categories, sharing six out of the seven largest-employing occupations (Figure 6), nevertheless, a relatively high gender pay gap emerges again, because more women hold lower-paying occupations (such as cleaners, personal care assistants and health associate professionals), and their wages are lower than those of men working within the same occupational categories, reflecting their segregation into lower-paying jobs within those occupations.

Notes: The seven largest-employing occupations (ISCO-08 at the two-digit level) for men and women in this sector are shown. Wage levels (right axis) are expressed as a ratio dividing the wage of each employee by the respective mean hourly gross wage at national level, so that a value of 100 would equal the average wage across countries. The EU aggregate is based on 25 Member States (no data for Austria and Ireland).
Source: SES (2018)
women have the same jobs – including at a more detailed level of occupational analysis – the task profile of the jobs may be quite different for men and women (Eurofound and European Commission Joint Research Centre, 2021). For these reasons, caution is needed in interpreting gender pay gap data in larger occupational groupings, as it does not necessarily involve a like-for-like comparison between men and women.

Gender pay gap across occupational categories

Excluding the lowest-skilled elementary occupations, the gender pay gap tends to follow a U-shaped pattern along the occupational hierarchy (Figure 7). It is widest, at around 20%, in high-skilled occupational categories (managers, professionals and technicians), much more modest among mid-skilled categories (clerical workers, services and sales workers, and skilled agricultural workers) and wide again among the lowest-skilled categories (notably craft workers but also plant and machine operators), with the exception of elementary occupations. Looking at average wages instead of skills level, the occupational categories with the highest average pay levels (managers, professionals and technicians) tend to have larger pay disparities between women and men. A large gap emerges as well among craft
workers, despite this category having relatively lower wages.

As is the case with sectors, the main patterns of occupational segregation over the last two decades described earlier would generally push down the gender pay gap. Female employment shares have grown very strongly in the two occupational groups with the highest average pay levels (managers and professionals), while they have declined across the other occupational categories, with the exception of elementary occupations.

The gender pay gap tends to be larger among employees working in occupations with a more gender-balanced composition. This is certainly the case for professionals and technicians and, to a lesser extent, for managers (where the gap is highest but the concentration of women is considerably lower). Again, craft workers and elementary occupations are exceptions: the former is very male-dominated but has a relatively wide gender pay gap, while the latter is balanced in terms of gender composition but shows one of the lowest gaps. Pay differentials are lower also in predominantly female occupations, such as clerks and services and sales workers.

As previously shown in the occupational analysis of three different sectors, pronounced differences in the gender pay gap emerge when the different proportions of female workers emerge

Figure 7: Gender pay gap (%) and average wages, by occupation, EU, 2018

Notes: ISCO-08 occupational categories at the one-digit level. Wage levels (right axis) are expressed as a ratio dividing the wage of each employee by the respective mean hourly gross wage at national level, so that a value of 100 would equal the average wage across countries. The EU aggregate is based on 25 Member States (no data for Austria and Ireland).

Source: SES (2018)
across occupations are considered. Combining the sectoral and occupational dimensions can shed further light on the analysis, revealing how significant gender pay differentials emerge even when men and women work within the same job, as described in the box.

**Gender pay gap across other work-related and individual characteristics**

Moving beyond sectors and occupations, it is also revealing to compare the pay gaps between female and male employees when they are grouped according to different individual and work-related characteristics. Figure 8 compares the size of the gap among employees in different age groups and with different educational attainment, while Figure 9 shows the pay gaps between men and women when categorised based on factors related to the job and the workplace. Several insights emerge from these data.

- The gender pay gap is wider among those employees in more privileged labour market positions, with higher educational levels and better wages. This is reflected by the larger gaps observed among employees who are older, better educated, longer tenured, permanent or full-time. The gap is also much wider among employees who have supervisory roles. This suggests that gender pay differentials relate in part to the stronger and more continuous labour market attachment of men, whose work trajectories are on average less likely to have been disrupted by family and care-related leave (EIGE, 2021).

- Conversely, the pay gap is narrower between men and women in less advantaged labour market groups: those who are young, shorter tenured, less well educated, temporary or part-time. The smaller gender pay differentials are attributable to the more limited scope for variation in pay levels in lower-paid jobs.

- Following the same logic, the gender pay gap is wider in the largest establishments, those with over 250 employees, because there is more latitude for disparities in pay levels in these organisations than in smaller establishments.

**Figure 8: Gender pay gap (%), by age and educational attainment, EU, 2018**

![Figure 8: Gender pay gap (%), by age and educational attainment, EU, 2018](image)

**Note:** Based on 25 Member States (no data for Austria and Ireland).

**Source:** SES (2018)
The pay gap is narrower in those establishments covered by collective pay agreements. This mitigating effect of collective bargaining on gender disparities has been highlighted as one of the reasons behind the generally narrower gender pay gaps in Europe compared to other world regions such as the United States (Blau and Kahn, 2007). Collective bargaining coverage in the private sector has been declining in recent decades (affecting men in traditional blue-collar industrial jobs relatively more), while it has been growing in the public sector, where women in clerical and professional jobs are relatively more numerous. These trends could be expected to reduce gender pay differentials, especially as public sector employment tends to have more regulated career paths, where the room for gender pay differentials based on individual negotiation and differentiation is relatively limited.

**Gender pay gap across jobs grouped by wage quintiles**

For an alternative perspective on the gender pay gap, we can map the pay differentials among men and women carrying out the same jobs (grouped by pay level). In this exercise, a job is defined as a given occupation within a given sector – for instance, a teacher within the education sector – which combines the sectoral and occupational dimensions. Then all jobs in the EU are classified into five wage quintiles, from lowest-paid to highest-paid, as in Table 1. This shows that significant gender pay gaps exist across all quintiles, probably reflecting the fact that even at this level of detail, women tend to be segregated in lower-paid positions within jobs in the same quintile.

**Figure 9: Gender pay gap (%), by work-related factors, EU, 2018**

Notes: Based on 25 Member States (no data for Austria and Ireland). The results relating to supervisory role are based on a subsample, as this information is available for around one-third of Member States.
Source: SES (2018)
The most striking finding is that the gender pay gap is much wider in well-paid jobs in the top two wage quintiles: 18% in the highest-paid quintile and 10% in the next highest. This occurs at aggregate EU level and in almost all individual Member States. So not only are women less likely to be working in well-paid jobs, but even when they occupy these well-paid jobs, they are disproportionately impacted by gender pay differentials.

Table 1: Gender pay gap (%), by job–wage quintiles, EU Member States, 2018

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Note: The EU aggregate is based on 25 Member States (no data for Austria and Ireland). Source: SES (2018)
Unpacking the gender pay gap

There is a vast literature exploring the factors contributing to the existence of the gender pay gap (for a review, see the European Jobs Monitor 2021 report). Among the reasons commonly identified is the horizontal sectoral segregation already noted, that is, the overrepresentation of women in relatively low-paying sectors. Another is the glass ceiling, which limits women’s access to the top levels of organisational hierarchies, where the highest-paid positions are found. Women work fewer hours, often due to unpaid care responsibilities (EIGE, 2019). They may come up against the ‘part-time pay penalty’ on their earnings as a result, which arises not only because their working time is shorter but also because part-timers typically earn less per hour than people working full-time. They also face various forms of discrimination, which occur when women earn less than men for doing the same job.

This section uses a decomposition analysis to identify the individual effect of different personal and employment-related characteristics on the gender pay gap, while controlling for the effect of other factors. The factors selected are educational attainment, age, job tenure, working hours (full-time or part-time), type of contract, establishment size, ownership (public or private), collective pay bargaining, sector and occupation. Unlike the previous analysis, which examined gender pay gaps among different categories of employees, this analysis takes account of the whole population of employees.

The analysis shows that the selected factors explain just part of the gender pay gap (Figure 10). For the EU gender pay gap of 14.6% in 2018 (the rate calculated using SES data),

**Figure 10: Breakdown of the gender pay gap into explained and unexplained parts (%), EU and Member States, 2018**

![Breakdown of gender pay gap](image)

**Notes:** The EU aggregate is based on 25 Member States (no data for Austria and Ireland). The size of the estimate effect is very large in Luxembourg and Romania, so these results are not displayed but are available upon request.

**Source:** SES (2018)
they explain around one-third (30.3%), that is 4.5 percentage points. However, that leaves the remaining two-thirds (69.7%) unexplained, corresponding to 10.1 percentage points. It is a striking finding that most of the gender pay gap cannot be explained with reference to common explanatory factors such as differences in education, tenure and working hours. This finding is consistent, however, with previous analyses using an earlier wave of the SES data (for instance, Boll and Lagemann, 2018) or other datasets (EIGE, 2021).

In addition, the explained part of the gap is positive in around half the Member States and negative in the other half. In a decomposition analysis such as this, a positive explained part means that, taking all the variables together, female employees have average characteristics (as measured by those variables) more associated with lower wages – for instance, working predominantly in low-paying sectors or being more likely to work part-time – which explains, at least partially, why female employees earn less than their male counterparts. A negative explained part implies the opposite: female employees have average characteristics more associated with higher wages. Given that a gender pay gap favouring men exists across all Member States, the existence of a negative explained part implies that in certain countries the pay gap would be even bigger when making a like-for-like comparison of men and women, based on their observed personal and work-related characteristics.

The explained part is positive mainly in countries that were Member States prior to 2004: the positive explained part accounts for almost a third of the gender pay gap in France, almost half in the Netherlands and the Scandinavian countries, and over half in Germany and Belgium. However, there are 12 Member States (mainly post-2004 accession countries as well as Greece, Italy, Luxembourg and Portugal) where the explained part is negative. In these countries, in which gender pay gaps tend to be below the EU average, women would be expected to be paid more than men based on their work and personal characteristics.

The individual contribution of each factor to the explained part of the gender pay gap is shown for the EU as a whole and six of the largest Member States in Figure 11. The sum of each variable’s contribution (positive or negative) equals the overall explained part (for instance, 30.3% for the EU).

The main points to note are the following.

- The most important factors that have a positive contribution to explaining the gender pay gap in the EU are sector and working time. This means that, controlling for other factors, women are more likely to be working in lower-paying sectors and to be working part-time – which explains, at least partially, why female employees earn less than their male counterparts. A negative explained part implies the opposite: female employees have average characteristics more associated with higher wages. Given that a gender pay gap favouring men exists across all Member States, the existence of a negative explained part implies that in certain countries the pay gap would be even bigger when making a like-for-like comparison of men and women, based on their observed personal and work-related characteristics.

Significantly, having a supervisory role is the third most important factor in explaining the gender pay gap in the EU when only the Member States where this variable is available are considered, among them France, Italy and Spain (this is not shown in Figure 11 because the variable is unavailable in two-thirds of Member States). Women are less likely than men to occupy positions with supervisory responsibilities associated with higher pay levels.

Women are also more likely to hold temporary contracts and are less likely to work in companies covered by collective pay agreements. Both factors are associated with lower wages, although the positive contribution of these factors in explaining gender pay differentials is small.
On the other hand, educational attainment and occupation emerge as the two main factors making a negative contribution to explaining the gender pay gap in the EU as a whole. That means that female employees have characteristics associated with higher wages, that is, they are more likely to have higher levels of educational attainment and to work in better-paid occupations. Cross-country results are consistent with this in the case of educational attainment (with the exception of Germany), especially in the central and eastern European Member States, where much better qualification levels among women prevent the emergence of even larger gender pay differences (as illustrated by Poland and Italy, especially, in Figure 11). Nevertheless, cross-country results are more mixed in the case of occupation, with women more likely to work in high-paying occupations in Poland and Italy but more likely to work in lower-paying occupations in the other four Member States.²

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² Occupation emerges as a significant variable in the analysis but with mixed results across countries, having a positive or a negative contribution depending on the case. Caution is needed when interpreting these results due to data limitations: the ISCO categories at the two-digit level do not capture the gender heterogeneity in occupational sorting fully and do not adequately control for vertical hierarchy. A high correlation exists between occupation and sector, so that some part of the effect of occupational segregation could be attributed to industry differences, which have a positive effect in explaining the gender pay gap (Boll and Lagemann, 2018).
Female employees are also more likely to work in larger companies and in publicly owned companies, both of which are associated with higher earnings. This too would prevent the emergence of even larger gender pay gaps, although the negative contribution of these factors is more modest.³

But the fact remains that most of the gender pay gap remains unexplained for the EU as a whole and across nearly all Member States. How should this be interpreted? Traditionally, the unexplained portion of the gender pay gap in such decompositions has been seen as a proxy for discrimination against women. And discrimination is likely to be one of the main contributing factors, albeit one that is difficult if not impossible to demonstrate using the survey wage data available. Drawing on rich, multiwave social survey data, a recent study by Roscigno (2019) shows that women are three times more likely than their male peers to experience gender discrimination in the workplace. It can take several forms, including unfair promotion and demotion practices, for instance, which are relevant in terms of gender pay differentials.

But there are other unobservable factors that also contribute to the gap, such as the cumulative length of professional experience. This could be added to future waves of the SES and would help to measure the greater likelihood that the careers of working women are disrupted primarily as a result of care-related leave or withdrawal from the labour market. Some other contributing factors to the gender pay gap have been the subject of much recent research but are largely beyond the scope of establishment wage surveys. These include gender differences in attitudes and behaviours, for instance in relation to the value attached to money over other markers of occupational prestige, wage bargaining attitudes, personal abilities or negotiating skills (Blau and Kahn, 2017; Dittrich et al, 2014; Neumark, 2018).

³ Results on company size must be interpreted with care, since women account for more of the workforce in the smallest companies (fewer than 10 employees), which are not covered in many EU Member States in the SES data.
This policy brief has shown that women’s overrepresentation in low-paying sectors and part-time employment are among the main factors explaining the gender pay gap.

Looking at the sectoral dimension, measures adopted to tackle gender segregation, such as promoting the participation of women in higher-paid male-dominated fields (science, technology, engineering, mathematics and ICT) and bringing more men into female-dominated areas (such as the care sector), need to focus both on the labour market (for instance, by improving pay and career prospects in care-related jobs) and on the education system (for example, by providing gender-sensitive career counselling). In this regard, the Gender Equality Strategy 2020–2025 highlights the importance of vocational education and training (VET) for women and men in tackling gender stereotypes and advancing gender balance in professions that are, traditionally, male or female dominated.

The Council recommendation of 24 November 2020 on VET echoes this position, identifying it as a way to promote equal opportunities. Effective cooperation with businesses and social partners in this field is indispensable.

Turning to working time, barriers to full-time employment should be removed for all workers who desire to work more hours, so that women may avoid the part-time pay penalty. Having caring and family responsibilities is the main reason that women are employed part-time rather than full-time. In this context, the availability and affordability of care services for children or ill, disabled or elderly adults plays an important role. Improving the work–life balance of workers by rebalancing the division of paid and unpaid work between men and women is another line of attack against the gender gaps in the labour market, allowing women to have the same professional opportunities as their male counterparts.
Adoption and implementation of the proposed EU Directive on adequate minimum wages should have an impact on reducing the gender wage gap. This policy is aimed at improving wage floors for employees, by both promoting higher statutory minimum wages and increasing the coverage of collectively agreed wages. Measures of this type are especially beneficial to female employees, who are much more likely than men to be paid at rates around the minimum wage.

The results presented here show that the gender pay gap is wider in well-paid jobs, in part because well-paid female employees are less likely to hold supervisory positions, which are associated with higher wages. Dismantling the glass ceilings that hinder female advancement within organisations will tend to reduce gender pay gaps. Other measures include facilitating more flexibility in working time arrangements in sectors where the professional work culture is characterised by long hours, such as financial services and legal services. Long-hours cultures have tended to copper-fasten male numerical majorities as well as male pay premiums in certain well-paid jobs.

The proposed directive aimed at strengthening the application of the principle of equal pay for equal work could make substantial inroads into reducing pay gaps by means of binding pay-transparency measures and enforcement mechanisms. The set of measures put forward by this legislation are likely to address opaque pay differentials in well-paid jobs especially, where the gender pay gap is largest and where policy-based improvements are potentially greater.

The COVID-19 pandemic has had some specifically gendered impacts, some transient and some of which may endure. The decline in employment has been sharpest amongst low-paid women. All else remaining equal, this will have the short-term effect of increasing average pay for women and thus narrowing the gender pay gap. This is a compositional effect, however: the lowest-paid workers were more likely to lose their jobs during the pandemic, therefore increasing average wages among the workforce. It can be expected to be transient; the structural trend over recent decades has been for the female employment rate to rise faster than the male rate.

One probably less transient impact of the pandemic has been the widespread uptake of remote working. More women have worked from home during the crisis, and more women work in ‘teleworkable’ jobs than men. Extending telework may improve work–life balance for many workers, but for working women, this may come at the expense of workplace visibility, and result in reduced opportunities to access training and promotions, and ultimately slower career – and salary – progression. It may also exacerbate the unequal distribution of care tasks within the household.

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Resources

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### Country codes

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Despite the increasing participation of women in the labour market and a higher share of women than men being hired into well-paid jobs in recent years, a gender pay gap exists across all EU Member States. Pay differentials between women and men have been shown to be significantly influenced by the economic sector where people work and the occupation they hold. This policy brief examines these dimensions. It also identifies how much these and other factors contribute to gender disparities in pay.

The analysis finds that, of the observable factors examined, the greater likelihood of women working in lower-paying sectors and working part-time are the most important contributors to the gender pay gap. Nevertheless, around two-thirds of the gap in the EU remains unexplained by individual and employment-related factors typically analysed, suggesting that other factors not captured by survey wage data account for the rest of it.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.