

THE GENDER PAY DISCREPANCIES – A GLOBAL ISSUE. THE CASE OF ROMANIA

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Abstract

The purpose of this article is to present the gender pay gap in the Member States of the European Union. The European legislation had a good impact on eliminating the direct discrimination between women and men regarding the pay gap. However, beside all efforts, the statistics show a persisting gender pay gap of 16,4 % on average for the 27 EU Member States in 2010, recording a slight downward trend in recent years, when the figure was around 17% or higher.

The causes of the gender pay gap are much more complex and include direct discrimination, greater difficulties for woman in balancing work and private life and stereotypes that influence the evaluation and classification of occupations or the choice of education undertaken by men and women. Even if the European Union has been taking action in the field for more than 50 years, the closing process of the gender pay gap appears to be very slow. Also, in a number of countries the gender pay gap is even widening again.

Key words: pay gap, gender pay, labour market, employment.

JEL Classification: J33,J44.

INTRODUCTION

The gender pay gap is defined as the relative difference in the average gross hourly earnings of women and men within the company as a whole.² Foubert gives a similar definition, „the gender pay gap is defined as the difference between the average pay level of male and female employees, respectively”.

The gaps between wages are sometimes based on the differences between people and their characteristics.

Usually, women are considered less prepared, less interested in their market oriented formal education because it is supposed that they expect to have discontinuous working live caused by the family life. The lack of investment in

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²Eurofound website on <http://www.eurofound.europa.eu/pubdocs/2010/18/en/2/EF1018EN.pdf>, accessed 26 April 2012.

education and the lack of experience can be translated as a low productivity and of course lower wages.

According to Blinder (1973) and Oxaca (1973) the gender pay gap can be decomposed in two parts so called the explained and the unexplained part of salaries, discrimination.

The first step of their procedure is to make a separately estimation on women and men wages and then to make the difference between the values. The difference is then analyzed and also decomposed in two parts. A part that can be explained by the characteristics, skills of a person, and the other, the unexplained part, that often it is referred to as the discrimination effect.

Discrimination it is due in most of the cases to unnoticeable differences and gaps between the wages for persons with same characteristics. It can be also defined as the difference between the observed gender pay difference and the divergence that would influence the way women and men are paid according to the same criteria (Rice 1999, Rubery et al. 2002).

As regards the gender wage gap by occupation, women's average wage is lower than men's in nearly all occupations, even if we are talking about occupations predominantly done by women, occupations predominantly done by men, or occupations with a more even mix of men and women.

Equal pay for men and women for work of equal value has been a concern of the European Union from its very beginning. The principle was laid down in the original EEC Treaty of 1957, in Article 119. In 1997, when the founding Treaties were renumbered the first time, Article 119 EEC Treaty became Article 141 EC Treaty. Currently, the principle of equal pay between men and women is embodied in Article 157 of the Treaty on the Functioning of the European Union (TFEU), which entered into force on 1 December 2009.³

According to Table 1, the wage gap has decreased gradually over the years. Some assert that it is related to the timing of market skill convergence between the sexes and to non-gender specific changes in the labour market.

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Table 1. Ratio of Female-to-Male Earnings

Year	Year-round full-time workers ^a	Full-time workers ^b	Year	Year-round full-time workers ^a	Full-time workers ^b
2002	—	77.5	1980	60.2	64.4
2001	76.3	76.1	1979	59.7	62.5
2000	73.7	76.0	1978	59.4	n.a.
1999	72.2	76.5	1977	58.9	n.a.
1998	73.2	76.3	1976	60.2	n.a.
1997	74.2	74.4	1975	58.8	n.a.
1996	73.8	75.0	1974	58.8	n.a.
1995	71.4	75.5	1973	56.6	n.a.
1994	72.0	76.4	1972	57.9	n.a.
1993	71.5	77.1	1971	59.5	n.a.
1992	70.8	75.8	1970	59.4	n.a.
1991	69.9	74.2	1969	58.9	n.a.
1990	71.6	71.9	1968	58.2	n.a.
1989	68.7	70.1	1967	57.8	n.a.
1988	66.0	70.2	1966	57.6	n.a.
1987	65.2	70.0	1965	59.9	n.a.
1986	64.3	69.2	1964	59.1	n.a.
1985	64.6	68.2	1963	58.9	n.a.
1984	63.7	67.8	1962	59.3	n.a.
1983	63.6	66.7	1961	59.2	n.a.
1982	61.7	65.4	1960	60.7	n.a.
1981	59.2	64.6	—	—	—

Source: Series on year-round/full-time workers, the U.S. Bureau of the Census; series on full-time workers, the U.S. Bureau of Labor Statistics.

During much of the post-World War II period, the human capital endowments of women entering the labour force worked against contraction in the wage gap.⁴ The educational level of the men had increased more than women's educational level; as a consequence, in the working field the number of less educated women joined the working force, than educated women through the 1970s.

The lack of experience had a negative influence on the average work experience, by holding it down. It is thus argued that the lack of skill convergence between

⁴ James P. Smith, and Michael P. Ward, *Women's Wages and Work in the Twentieth Century*, Santa Monica, Cal., The Rand Corporation, 1984.

working women and men during the 1970s kept the wage gap fairly constant, despite decreases in occupational and industrial segregation over the period.⁵

In 1980s the average work experience had increased thanks to the work experience of women increased relative to men.

About 25% of the 1% per year reduction in the wage gap between 1976 and 1989 can be ascribed to the increase in the amount of women's work experience compared to men's, and another 35%-40% to the rise in the monetary return (reward) to an additional year of experience for women compared to men.⁶

Economists have searched some factors that influence the discrimination against women and explain the gender pay gap. Also, some economists said that the wage that labour market attaches to skills can have a big influence on wages level. (Juhn, Murphy and Pierce, 1991)

According to Blau and Kahn, even if the qualifications of American women are high compared to women in other countries, the USA has traditionally been among the countries with largest gender gaps because the US labour market places a much larger penalty on those with lower levels of labour market skills or who are located in less-favored sectors of the labour market. These are disproportionately women, whose relative wages are thus potentially reduced by labour market institutions in the US.

Equal pay was a priority mentioned in the 'Roadmap for equality between women and men 2006-2010'.⁷ In 2007 the European Commission adopted a Communication examining the causes of the gender pay gap and putting forward a series of actions to tackle the problem, including, for example, the increase of care services for children and elderly people and the elimination of gender stereotypes in education, training and culture.⁸

⁵Fields, Judith, and Edward N. Wolff. The Decline in Sex Segregation and the Wage Gap, 1970-1980. *Journal of Human Resources*, v. 26, no. 4, fall 1991.

⁶O'Neill, June, and Solomon Polachek. Why the Gender Gap in Wages Narrowed in the 1980s. *Journal of Labour Economics*, v. 11, no. 1, part 1, January 1993. (Hereafter cited as O'Neill and Polachek, Why the Gender Gap in Wages Narrowed in the 1980s.)

⁷Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, entitled 'Roadmap for equality between women and men 2006-2010', COM (2006) 92 final.

⁸Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, entitled 'Tackling the pay gap between women and men', COM (2007) 424 final.

Although there has been recorded a decrease trend in gender pay gap discrimination, it does not mean that the labour market discrimination has been vanquished. This decrease might have been generated by either a limitation of statistic dates, or by a reduction of discrimination.

From the new Eurostat estimates (based on Structure of Earnings survey), it appears that there are considerable differences between the Member States in this regard, with the pay gap ranging from less than 10% in Italy, Luxembourg, Poland, Slovenia and Romania to more than 20% in Germany, Estonia, Czech Republic, Greece, Finland and Austria. The gender pay gap persists even though women do better at school and university than men.

The pay gap, it is one of the indicators that are used on evaluating the pay gap, but it is not very relevant to be used for establishing the equality between women and men since it only concerns salaried persons. This usually reflects the different working patterns of women. In most of the countries in which the female employment rate is low (e.g. Malta, Italy, Greece, Poland), the pay gap is lower than average, which may reflect the small proportion of low-skilled or unskilled women in the workforce. A high pay gap is usually characteristic of a labour market which is highly segregated (e.g. Cyprus, Estonia, Slovakia, Finland) or in which a significant proportion of women work part-time (e.g. Germany, United Kingdom, the Netherlands, Austria, Sweden). Institutional mechanisms and systems on wage setting can also influence the pay gap.

Thomson (2006) succeeded to identify the key components of the persisting gender pay gap and to determine how much of this issue can be explained by individual choices and/or discrimination for the UK population. By using secondary data, the author assessed the contribution of each significant factor, namely part-time work, education, size of the firm a person is employed in and occupational segregation, to the remaining gender pay gap.

Simón and Russell (2007) performed an analysis of the reasons of the gender pay gap in some EU countries by incorporating the workplace effect and by developing inter-country comparisons. The authors conclude that in each country, significant parts of the gender wage gap may be imputed to gender segregation in companies and to income differentials within companies for the same kind of jobs. In addition, the characteristics of the company play an important role in this gender wage gap discussion.

Haas (2007) examines the relationship between the gender wage gap and the degree of economic development for 154 countries during 1991 – 2003, by applying the basic theory of supply and demand and the human capital theory. The author

highlights the fact that, as economic development increases, the size of the gender wage gap increases, but only at high levels of per capita income does the difference in pay decrease.

With regard to the fact that the European Union has been taking action for more than 50 years to defend the principle of equal pay for equal work or work of equal value between men and women, this is a disappointing result. This explains why the gender pay gap has encouraged several initiatives by the European Commission in the last few years and continues to be one of the Commission's great concerns in the area of gender equality.

There can be found many factors and causes that influence the gender pay gap. According to Blau & Kahn (1992) there are some influence factors that have big impact on the gender remuneration: differences in human capital, sectoral and occupational segregation, working time, the access to internal and public training schemes. According to other writers there can be included in this category the labour market or family policies, the social security and fiscal regulations. According to Resking, there are exogenous causes of discrimination among which we can find social categorization, in-group preference, stereotyping, power and cognitive biases.

According to the above, there are a lot of factors that influence the gender pay gap. Even if there have been made lots of campaigns for stopping discrimination, there are still real problems on working force remuneration.

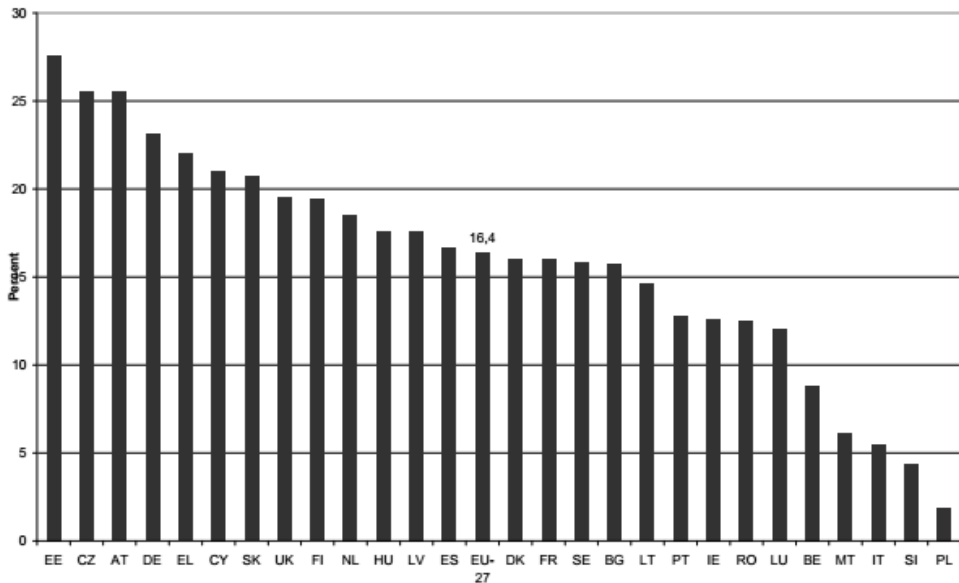
EQUAL PAY FOR EQUAL WORK AND WORK OF EQUAL VALUE

The pay gap between women and men is slowly diminished but remains high. Chart 1 shows that on average, women earn 16.4%⁹ less than men for every hour worked with considerable variations among Member States. The gender pay gap (GPG) is caused by multiple factors¹⁰ such as labour market segregation and differences in work patterns. Differences in educational choices and biased evaluation and pay systems also play a role.

⁹ Eurostat 2010

¹⁰ Information on the causes of the gender pay gap is available in the Communication "Tackling the pay gap between women and men" (COM(2007) 424 final) or on the European Commission website: <http://ec.europa.eu/justice/gender-equality/gender-pay-gap>.

Chart 1. Pay gap between women and men in unadjusted form in EU Member States - 2010



Source: Eurostat. The unadjusted Gender Pay Gap (GPG) represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. EE and EL: data from 2008. EU27, BE, IE, ES, FR, IT, CY, AT: provisional data.

The EU-wide information campaign on the gender pay gap launched in March 2009 brought a new concept, The European Equal Day Pay. The dates of these days mark the days women must work to earn a man's average annual pay. The campaigns are based on previous achievements, results and the experience gained during the two previous years of implementation.

THE GENDER EQUAL PAY IN ROMANIA

In Romania, the National Agency for Equal Opportunities between Men and Women is in charge with promoting the equality principal between women and men by elaborating and implementing various programs.

From the existing statistic dates, we can see a disparity between women and men. Women are in disadvantage on the working-force market, social life, political and cultural life.

According to Table 2, on the working force there is still gender segregation, in the way that in some domains are involved especially women and the others are dominated by men. This professional segregation brings remuneration gaps between women and men, taking into account that the womanized domains are low-paid than the domains dominated by men.

Table 2. Gender segregation between men and women.

	2009	2010
Romania (%)	23	22.5

Source: Eurostat, AFM UE

Gender segregation in occupations is calculated as the average national share of employment for women and men applied to each occupation; differences are added up to produce the total amount of gender imbalance expressed as a proportion of total employment (ISCO classification).

Table 3. The unemployment rate

2010	Women	Man	Gap
EU-27	9,6 %	9,7 %	0,1 %
Romania	6,5 %	7,9 %	1,4 %

Source: Eurostat, AFM UE

The unemployment rate represents unemployed persons as a percentage of the labour force based on International Labour Office (ILO) definition. The labour force is the total number of people employed and unemployed.

Table 4. Employment rate

2010	Women	Men	Gap
Eu-27	62,1%	75,1%	13%
Romania	55,9%	70,8%	14,9%

Source: Eurostat, AFM UE

This employment rate is calculated by dividing the number of persons aged 15 to 64 in employment by the total population of the same age group. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent.

Table 5. Sex distribution of enterprise leaders

2010	Women	Men	Gap
EU-27 (%)	33	67	34
Romania (%)	29	71	42

Source: Eurostat, AFM UE

Table 6. The total worked time (paid and unpaid) for women and men

2010	Women		Men		Gap	
	Unpaid worked time	Paid worked hours + deployment period	Unpaid worked time	Paid worked hours + deployment period	Unpaid worked time	Paid worked hours + deployment period
EU-27	24,5	37,4	9,2	44,2	-6,7	15,2
Romania	21,1	46,8	5,7	47	-0,2	15,4

Source: Eurofound – The fourth investigation EWCS, 2010

Romanian women earned 13 percent less than Romanian men last year, a widening pay difference from below 10 percent in 2010, found a recent report on the gender pay gap issued by the European Commission. The figure, which places Romania among the higher pay gaps in the EU, is, however, below the EU average.

In 2010, only 29 percent of business leaders in Romania were women, while the EU average was of 33 percent.

EXAMPLE OF ACTIONS TAKEN IN DIFFERENT EU MEMBER STATES

Various countries took legislative measures regarding the gender pay gap, among which we can find Spain, France, United Kingdom, Luxembourg, Sweden, Hungary, Italy.

For example, in Spain was adopted a new law regarding gender equality. There were specified some measures for fighting discrimination, encouraging reconciliation if work and family life, promoting equality plans. In 2006, in France was introduced n obligation for the companies to take measures of closing the gender gap pay by 31 December 2010. In Italy, the companies who have more than 100 employees are obliges to provide statistical information regarding the employment conditions of their employees broken down by gender every two year.

In Germany was implemented a system that provides a data base for research on the development and causes of pay inequality, the so called Logib-D. The program gives also the possibility of identifying the causes. The instrument, developed by the German Federal Government gives the possibility to employers to find out if a payment gap exists, the reasons for this gap and also solutions to ensure a equal pay for all the employees.

In Sweden, Vastragotland carried out a survey of 650 employees in 15 sections. The survey revealed that men had a higher wage than women in equal jobs.

In United Kingdom, it was implemented the WISE campaign. The goal of this campaign is to promote domains that are likely to be made by men among girls and women. Young girls were encouraged to follow careers related to domains like science, engineering, technology.

In Slovenia, for example, there is a prize offered for companies that promote gender equality into leadership positions. The candidates have to demonstrate that they are successful and willing to take their career at higher levels.

Also there were presented various study cases on the gender pay gap that shown real examples of salaries discriminations. For example, the case of part-time worker in an enterprise who was treated differently than full time workers with regards to pay increases.

The European Court of Justice and the Austrian Constitutional Court establish that it was a case of discrimination. They have decided that part-time workers have the same rights as full-time staff regarding pay increase.

From the above we can see that there were taken various measures regarding the salaries discrimination in EU states members. From legislative measures to campaigns, countries used all kind of instruments to implement the equal pay, and to diminish the payment gap.

Case study – testing hypothesis

I tested if really is a significant discrepancy between women and men incomes, using the following hypothesis:

$$\begin{cases} H_0 : \mu_M = \mu_F \\ H_A : \mu_M \neq \mu_F \end{cases}$$

The sample covers the period 2002-2010, as reported by NIS, for the average salary earned by males and females.

The t-statistic is used, in the following approach:

$$t = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}, \text{ with the degrees of freedom } \frac{(s_1^2/n_1 + s_2^2/n_2)^2}{\frac{(s_1^2/n_1)^2}{n_1 - 1} + \frac{(s_2^2/n_2)^2}{n_2 - 1}}$$

Year 2002	Lei RON	TOTAL	Male	Female
Year 2003	Lei RON	484	527	435
Year 2004	Lei RON	599	643	549
Year 2005	Lei RON	746	796	689
Year 2006	Lei RON	866	922	803
Year 2007	Lei RON	1042	1095	981
Year 2008	Lei RON	1309	1348	1264
Year 2009	Lei RON	1361	1405	1310
Year 2010	Lei RON	1391	1466	1308

Bootstrap

[DataSet0]

Bootstrap Specifications

Sampling Method	Simple
Number of Samples	1000
Confidence Interval Level	95.0%
Confidence Interval Type	Percentile

T-TEST PAIRS=MALE WITH FEMALE (PAIRED)
 /CRITERIA=CI(.9500)
 /MISSING=ANALYSIS.

T-Test**Paired Samples Statistics**

			Statistic	Bootstrap ^a			
				Bias	Std. Error	95% Confidence Interval	
						Lower	Upper
Pair 1	MALE	Mean	1025.25	2.29	122.03	771.96	1252.81
		N	8				
		Std. Deviation	359.581	-26.757	57.029	198.363	434.895
		Std. Error Mean	127.131				
	FEMALE	Mean	917.38	2.44	119.36	669.82	1142.00
		N	8				
		Std. Deviation	351.438	-25.720	54.154	196.300	423.798
		Std. Error Mean	124.252				

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Paired Samples Correlations

			Correlation	Sig.	Bootstrap for Correlation ^a			
					Bias	Std. Error	95% Confidence Interval	
			N			Lower	Upper	
Pair 1	MALE & FEMALE	8	.998	.000	.000	.002	.994	1.000

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Paired Samples Statistics

			Statistic	Bootstrap ^a			
				Bias	Std. Error	95% Confidence Interval	
						Lower	Upper
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		Std. Error Mean	124.252				

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	MALE - FEMALE	-107.875	23.467	8.297	88.256	127.494	13.002	7	.000

Bootstrap for Paired Samples Test

		Mean	Std. Bias	Std. Error	Sig. (2-tailed)	Bootstrap ^a	
						95% Confidence Interval	
						Lower	Upper
Pair 1	MALE - FEMALE	107.875	147.5	147.070	.0004	93.750	125.750

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Based on the Pearson correlation test, there is a high degree of correlation between the two variables, as a sign of parallel evolution along time.

But as the t-test for the null hypothesis we defined shows, with an accuracy of 95% there is a significant income difference between man and woman in Romania.

In fact, with a 95% confidence level, the male income is higher than women income by 107 RON.

Conclusions

Gender pay discrimination it is a real problem in EU. Even in there were taken some actions in this field, the problem exists and increases, generating huge consequences for women: lower pensions and a risk of poverty in old age. There are considerable differences between the member states. The pay gap goes from less than 10% in Italy, Luxembourg, Poland, Slovenia and Romania to more than 20% in Germany, Estonia, Czech Republic, Greece, Finland and Austria. There are a number of complex factors that explain the gender pay gap in the EU states members such as: direct discrimination, undervaluing of women's work, segregation in the labour market, traditions and stereotypes. Closing the gender pay gap can lead to various advantages like creating a fairer and more equal society, supplying quality jobs, avoiding litigations and complaints and serving as a base for economic growth and recovery.

Romanian women earned 13 percent less than Romanian men last year, a widening pay difference from below 10 percent in 2010, found a recent report on the gender pay gap issued by the European Commission. The figure, which places Romania among the higher pay gaps in the EU, is, however, below the EU average.

As a suggestion, there is a need to establish more campaigns and other measures in order to reduce the salaries discrimination in the EU. Media should have a role in these campaigns in order to promote the reduction of gender pay discrimination.

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