

Summary of Official Norwegian Report 2008: 6

# Gender and Pay

Facts, analyses and measures to promote equal pay



## **Gender and Pay. Facts, analyses and measures to promote equal pay.**

### **Foreword**

In June 2006 the Norwegian Cabinet appointed a Commission to provide an overview over differences between women's and men's pay and consider measures to reduce pay differences. The Equal Pay Commission was established as a committee of experts and comprised researchers from several different disciplines. A reference group for the Commission was also established, consisting of the ten main employers' and employees' organisations in Norway.

The Commission's mandate was to describe the current situation, provide an analysis of the reasons for the pay gap, provide an overview over legislation and international agreements relating to this area, consider the consequences of the collective wage agreements (in the past ten years) from a gender equality perspective, and provide an analysis of the consequences of equal pay for public budgets, the operation of the labour market and employment. The Commission was to consider measures that could help to reduce pay differences between women and men. The mandate also emphasised that the Commission should play a proactive role and arrange common meeting places for discussion and communication, disseminate knowledge and influence public opinion. The pay gap was defined as differences in hourly pay, and the pay gap was to be considered in the context of gender equality policy.

The report is divided into three parts. In accordance with the mandate, the first part contains a comprehensive set of facts, figures and analyses relating to the pay gap, women and men in working life, family policy and the division of work in the home. Part I also deals with legislation, enforcement and the administrative practices of the Gender Equality and Anti-Discrimination Ombud and the Gender Equality and Anti-Discrimination Tribunal.

Part II discusses various explanations of the pay gap between women and men and provides analyses of the causes of the pay gap on the basis of theoretical knowledge. Factors such as historical causes, the importance of the Norwegian collective bargaining model and the importance of children and care responsibilities are included in these analyses.

Part III provides a broad overview over the lessons learned from previous efforts to promote equal pay, including enforcement of the right to equal pay, experience gained from using job evaluation as an instrument to promote equal pay, income policy measures and family policy measures. The members of the Commission presented specific proposals for new measures but their support for the proposals was not unanimous. The majority presented six proposals, while one member supported two of them and also presented his own proposal (Proposal No. 7).

## **Summary of Official Norwegian Report 2008:6. Gender and Pay. Facts, analyses and measures to promote equal pay**

### **Part I Background and facts**

#### *Women and men in working life*

In Norway, women are almost as economically active as men, although there are still certain differences between the sexes. In 2006, 75.6 per cent of men and 68.3 per cent of women in Norway were economically active.

Economic activity among women has grown strongly in recent decades. Thirty years ago, less than half of Norwegian women were economically active. From the beginning of the 1970s until the end of the 1980s, economic activity among women increased significantly, from 45 to 62 per cent, while it remained relatively stable among men. From the 1980s, women's economic activity increased sharply. As a result of the rise in economic activity among women, Norway, together with the other Nordic countries, tops the statistics compared with other western countries.

Although Norwegian women take part in working life to almost the same extent as men, they work shorter hours and they do not work in the same occupations, industries or sectors as men. Nor do they have an equal position in the job hierarchy. According to comparable international studies, Norway has one of the most gender-segregated labour markets in the industrialised world.

The labour market is divided by gender along both a horizontal and a vertical axis. Horizontal segregation of the labour market means that women and men are concentrated in different occupations, industries and sectors. The gender differences largely correspond to the division between the public and private sectors. Women account for approximately 70 per cent of employees in the public sector, while there are most men in the private sector (63 per cent). There are also clear differences between women and men in terms of their career choices.

Vertical segregation means that women and men are segregated in terms of their position in the job hierarchy, even within the same occupation or profession. There are far more men than women in management positions. Only one in three managers is a woman.

In the field of higher education, there are certain signs that gender segregation is declining. Firstly, the proportion of women students has increased, from 48.1 per cent in 1980 to more than 60 per cent in 2006. The choice of subjects has also changed. An increasing number of girls are studying economic and administrative subjects, medicine, and scientific and technical subjects. On the other hand, there are few signs of men moving into areas traditionally dominated by women.

There are also differences between women and men in terms of working hours. One typical characteristic of women's adaptation to the labour market is that they work part-time to a far greater extent than men. In 2006, as many as 43.6 per cent of employed women worked part-time, compared with only 12.6 per cent of men.

The reasons why men and women choose to work part-time are complex, associated both with the individual employee's preferences, norms, role in the family and financial needs (supply

side) and with labour market factors, such as the way employers organise working hours (demand side). The extent of part-time work is the result of mutual adjustment between these various factors.

### *Women's and men's pay*

The demand for equal pay for women and men has long been on the political agenda, and the pay gap between women and men is and has been the subject of numerous studies. Extensive international research shows similar patterns throughout the western economy. Pay and pay differences between women and men have therefore been thoroughly documented in pay statistics and research, and we know a great deal about why women still earn less than men.

It is important to differentiate between *pay* and *income*. Income is a broader concept than pay. A person's total *income* consists of income from employment (paid employment and self-employment), capital gains, and transfers such as housing benefit, child benefit, unemployment benefit, etc. On the other hand, *pay* consists only of remuneration from an employer for work that has been done.

There are significant differences both between women's and men's *income from employment*, which has not been adjusted for working hours, and between women's and men's *pay*, which has been adjusted for agreed working hours. Income statistics show that women's income from employment is currently equivalent to approximately 65 per cent of men's income from employment. Adjusted for working hours, women's pay is equivalent to approximately 85 per cent of men's pay. It is usual to express this in the formula *women's pay as a percentage of men's pay*. In this report, we also use the term *the pay gap between women and men*, which is defined as men's hourly pay minus women's hourly pay calculated as a percentage of men's hourly pay. Pay and income from employment are calculated as an average for all economically active women and men in the entire economy.

One general finding is that, despite the fact that women have increasingly pursued an education and gained a solid foothold in working life, women still earn less than men. For as long as we have had a modern monetary economy and women and men have been in paid employment, women's work has been priced lower than that of men. There are no good comparable figures for the trend in the gross pay gap over a long period of time, but available sources show a dramatic reduction in average pay differences between women and men until the mid-1980s, followed by a long period of stagnation. In 1959, monthly pay for women in full-time employment was around 66 per cent of men's monthly pay, and in the mid-1980s women's pay had increased to slightly more than 80 per cent of men's pay. In the 2000s there is once again a tendency for women to catch up, although at a more moderate pace than before.

In accordance with the mandate of the Equal Pay Commission, the focus in this report is on differences in women's and men's pay, adjusted for working hours, expressed as monthly or hourly pay.

It used to be thought that one important explanation of the pay gap was that women had a shorter education and shorter potential work experience than men. However, this is no longer a dominant explanation. This chapter shows that women have largely caught up with men in terms of their investment in personal resources. However, the average gap in hourly pay for all employed women and men has been extremely stable since the mid-1980s. Analyses of the

significance of education and position in the job hierarchy show that the pay gap is greatest in groups with higher education and in leading positions. In general, the pay gap between women and men is greater in high-wage groups than in unskilled and low-wage groups. Analyses of the significance of age and life cycle show that the pay gap cannot be explained as a generational effect. The pay gap also increases with age for younger generations in working life. The increasing similarity between women and men in terms of personal resources thereby weakens the assumption that personal resources can explain most of the pay gap between the sexes.

The analyses show that the most important reason for the pay gap between women and men is that women and men work in different sectors, enterprises, occupations and positions. Women are dominant in the public sector, especially in the education and health sectors. Men work to a greater extent in the private sector and in technical occupations. Pay differences between women and men are greater in the private sector than in the public sector. At the same time, pay levels, especially for groups with college education, are higher in the private sector than in the public sector. The many women with a high level of education in the state sector, health enterprises, schools and municipalities therefore have a lower pay level than groups with the same level of education in the private sector.

The proportion of the pay gap that can be “explained” with the help of various factors and background variables varies in step with the number of variables that are included in the analyses. If we compare women’s and men’s pay in the same enterprise, in the same position and with the same personal resources, we find that pay differences are insignificant or non-existent.

The main conclusion is that the labour market is divided by gender and that the pay gap follows this division. This means, among other things, that the problem of equal pay becomes a question of the wage level in women’s occupations, for both women and men. The problem of equal pay is not only a question of individual pay differences based on individual gender, but is rather linked to the highly gender-segregated labour market and the price of labour in the occupations and sectors that are dominated by women.

Pay differences between women and men are also common at the international level. Statistics from EU countries show fairly significant differences between member states, and the average pay gap is around 15 per cent. In other words, the pay gap in Norway is the same as the average pay gap for the entire EU area. One important reason why Norway scores midway in these statistics is the high level of economic activity among Norwegian women. As a result of the growth of the welfare state, many of the tasks performed by women have been incorporated into the formal economy through the establishment of public care institutions. Paradoxically, therefore, it is the high level of economic activity that has led to the relatively large pay gap between the sexes. This is because (on average) it is women with lower earning potential and qualifications than those who are already employed who enter the labour market when the women’s employment rate rises. The fact that the pay gap in Norway has remained stable while women’s economic activity has increased may therefore indicate that women and men are increasingly being paid and treated more equally.

#### *Wage formation and cooperation on income policy*

Throughout the post-war period, wage formation in Norway has been characterised by a large degree of coordination between the social partners (employers’ and employees’ organisations)

and the authorities. This model is based on the parties' recognition that a well-functioning wage formation system helps to maintain a low unemployment rate and a high level of economic activity.

The main social partners play a crucial role in implementing the collective wage agreements, and many mechanisms and institutions support the coordination of wage formation. A high level of support for the employers' and employees' organisations is a prerequisite for the way working life is organised and functions in Norway. Compared with other western countries, trade union membership is relatively high in Norway. In 2003, 53 per cent of employees in Norway were trade union members. This chapter presents the largest employees' and employers' organisations in Norway.

The Norwegian collective bargaining model is based on the fact that wage growth must be adapted to a level that the competitive sector can live with over time. This has been achieved by ensuring that bargaining areas that are exposed to a large degree of competition (the "pace-setting industries"), have reached agreement first and thus provided a norm for the other areas.

#### *Family policy and the division of work in the home*

The employment rate is high among both mothers and fathers, i.e. married and cohabiting parents with children aged 0-15. Eight out of ten mothers and nine out of ten fathers are employed. However, the employment rate says little about how much time mothers and fathers actually spend at the workplace. Many employed mothers work part-time. As many as 47 per cent of all working mothers do not have full-time job contracts. This proportion of part-time workers is regarded as being a very high in comparison with other countries. The corresponding figure for men is 5 per cent.

On the home front, however, mothers do significantly more of the housework than fathers do. Every day, mothers spend 2.5 more hours on housework than fathers. Furthermore, most single carers are women.

Norway has several arrangements to help parents combine economic activity with child care. They include subsidised day care institutions and day care facilities for schoolchildren, the right to paid leave when children are ill, cash support and paid parental leave. In principle, these arrangements are gender-neutral and can be used by both parents. However, absence from the labour market in connection with child care is very unequally divided between father and mother. Mothers still take most of the parental leave, they work part-time far more often than fathers do, and 96 per cent of cash support recipients are women. To summarise, we can say that we still have "two-track parenthood" – one track for mothers and one for fathers.

Why do mothers and fathers divide child care so unequally between themselves? Both finance and attitudes play a part. Traditional ideas of what it means to be a good mother and a good father still appear to influence parents' decision-making processes. The fact that the father often has a higher income than the mother also plays a role. If the family as a whole loses money if the father stays at home with the children, it is difficult to make choices on an equal footing.

It may also be difficult for the father to negotiate with his employer on parental leave. Fathers who wish to take more leave than their earmarked quota may be suspected of not giving sufficiently high priority to their job.

There are still statutory limitations on fathers' possibilities for taking parental leave. It is estimated that 8-10,000 fathers are not entitled to the father's quota because this right is dependent on the mother's employment status before the child is born. The father is also dependent on the mother returning to work or education in order to be able to take parental leave. He does not have an individual right to parental leave, but is entitled to such right on the basis of the mother's employment situation and choices.

### *The right to equal pay pursuant to the Gender Equality Act*

The right to equal pay is enshrined in section 5 of the Gender Equality Act, which stipulates that women and men in the same enterprise shall have equal pay for the same work or work of equal value. The Act defines the principle of equal value, which is based on an objective evaluation of the content and difficulty of the job concerned. In other words, the value of work is not linked to its value for the enterprise. The main factors that are assessed in a job evaluation are competence, effort, responsibility and working conditions. In 2002 the equal pay provision was specified more precisely to make it clear that the right to equal pay applies regardless of whether the work is linked to different trades or professions or whether the pay is regulated through different collective wage agreements.

The general clause in section 3 of the Gender Equality Act prohibits differential treatment and defines direct and indirect differential treatment. Indirect differential treatment is defined as any apparently gender-neutral action that in fact has the effect of placing one of the sexes in a worse position than the other.

The provision concerning burden of proof in section 16 requires the employer to prove on a balance of probabilities that differential treatment did not take place, following a complaint, giving grounds, from the employee.

Pursuant to section 1 of the Gender Equality Act, the employer has a duty to promote gender equality. The activities and reporting clause requires employers in the public and private sectors and the social partners to make active, targeted and systematic efforts to promote gender equality in their enterprises. In their annual reports or annual budgets they must give an account of the actual state of affairs as regards gender equality and the measures that are planned. Pay and working conditions are particularly relevant.

In the equal pay provision, the right to equal pay, such as the right to equal pay for the same work and work of equal value, is limited to the same enterprise. This means that the equal pay requirement cannot be based on comparisons between employees in different enterprises, even if the enterprises are operated and owned by the same physical or legal entity. In the public sector, the state and each individual municipality are regarded as single enterprises.

The equal pay provision is individualised in the sense that only individuals can submit an appeal, and appeals only have consequences for the employee and employer who are parties to the case.

The report describes the enforcement system, which was reorganised in 2006. The system, which consists of the Gender Equality and Anti-Discrimination Ombud and the Gender Equality and Anti-Discrimination Tribunal, largely functions as it did before the reorganisation. The most important difference is that the system is also responsible for preventing differential treatment in areas other than gender, namely ethnicity, religion and belief and, in the area of working life, political views, trade union membership, sexual preference, impaired ability and age.

A review of appeal cases relating to equal pay shows that the Ombud receives many cases relating to discrimination in working life, but that relatively few are dealt with by the Tribunal and even fewer appeals are upheld. Since the Gender Equality Act was amended and reinforced with respect to matters such as equal pay in 2002, the Tribunal has dealt with a total of 17 cases concerning equal pay. In practice, appeals are very seldom upheld in cases where questions are raised concerning the evaluation of work across occupational or professional borders.

The report considers the relationship between the Gender Equality Act and the Anti-Discrimination Ombud Act on the one hand and the Labour Court of Norway on the other. It is not permitted to enter into collective wage agreements that contravene the Gender Equality Act or other legislation. However, only the Labour Court is competent to test whether any of the provisions in a collective agreement are in contravention of legislation. The main rule is that only the parties to a collective wage agreement can bring this type of case before the Labour Court. The competence of the Gender Equality and Anti-Discrimination Tribunal in legal disputes concerning collective wage agreements is therefore limited. The Gender Equality and Anti-Discrimination Tribunal has the right to give an opinion on such cases, but its opinion is not legally binding. The rulings of the Tribunal pursuant to the Gender Equality Act apply only to individual appeals, and the Tribunal may not hand down rulings that affect collective wage agreements as such.

## **Part II Explanations**

### *Sex, power and tradition*

Until the late 1960s it was, in a way, legitimate to differentiate between women and men in working life, among other things by having separate wage agreements for female and male industrial workers. The man as provider was the norm, and the right of married women to take paid work was open to question until 1940. Economic cycles and the demand for labour have largely governed economic women's economic activity, in terms of both numbers and their choice of sector and occupation.

Although it was largely accepted that women and men each had their own labour market, with associated pay and working conditions, in the last century there have been strong conflicts and political rebellions against the current norms, rules and distribution of goods between the sexes. Each from their own standpoint, both working-class women and bourgeois women have fought to improve the position of women. In the past 40-50 years there has been significant social development; women have been responsible for an educational revolution and for a formidable rise in the employment rate, and equal wage formation for women and men has been implemented in principle

The Power and Democracy Report of 2003 provides important inputs for a description of the current situation as regards gender equality and equal pay, and the picture is highly complex. While gender equality is a field characterised by good intentions and goodwill, the report shows that there is almost complete male dominance in many of the top levels of society and there are major inequalities between women and men in working life. The Report points out that the goal of equal pay encounters corporate power, and that Norway's wage formation and bargaining system has not managed to eliminate historical differences between women's and men's pay.

Reports in the Power and Democracy Report raise a debate on the nature of sexual power and regard unequal pay as a result of the natural division of labour by gender. They maintain that sexual power in working life is often invisible, but that a logical process nevertheless develops that sorts women and men into different occupations and positions. The authors show that we have few or no studies of whether today's pay gap is the result of previous differential treatment, conscious or unconscious, but there are nevertheless strong indications that historically low pay for women still influences pay levels today.

Stories about young women and young men show a common picture. Both women and men consider a career to be an important part of their lives, they have ideals relating to gender equality and two-provider families. They tell stories that may be said to represent "the modern" and they can tell us something about trends in our time and perhaps in the future.

The picture of modern women and men leads us to the question of the role of provider. The man's role as provider for the family was formerly the most important justification for unequal pay for women and men. The norm for who is to provide for the family is changing radically today, from a norm where the man is the sole provider to the two-provider family. At the ideological level, this change has made relatively strong progress. However, the effect varies in practice and in reality the possibilities for realising the ideal have not been equally great. In fact, the man is still the main provider but he is no longer the sole provider. Women have increased their financial independence, but the woman is still the most important carer in the family and still does most of the unpaid work.

### *Theoretical framework*

From an economic point of view, discrimination is linked to three different explanations: preference-based discrimination, statistical discrimination and market force-based discrimination. All three provide explanations of why women are sometimes paid less than men, even if they are equally productive, that are linked to employers' behaviour under market conditions that deviate from total competition.

Preference-based discrimination means that the employer pays women less than men on the basis of private preferences. This is not economically profitable and cannot prevail when companies encounter tough competition. Employers who dislike female employees and engage in preference-based wage discrimination will lose out to the competition.

Statistical discrimination is based on the fact that the employer does not know how capable (new) employees are, but sets their pay on the basis of a statistical average and expectations linked to easily observable characteristics, in this case gender. This is a more viable form of discrimination and may continue because there are many employers in the same situation.

This type of wage discrimination will also help to maintain established segregation on the labour market.

Market force-based discrimination is possible when women have fewer alternative job opportunities than men. This may be due to the fact that they have different preferences or are less mobile in the labour market for other reasons. Women therefore also have weaker negotiating power vis-à-vis their employer than men do. The employer can utilise this and pay women less. This type of wage discrimination could continue, but it is decisively based on there being differences between female and male employees..

From a sociological point of view there is stronger emphasis on discrimination being a result of structural conditions built into social systems and institutions, such as trade unions and internal labour markets. There is emphasis on power, culture and socialisation. Gender-based wage discrimination will therefore not disappear, even if there is increased competition for manpower. Employees' own choices, everyday routines and life projects are also important elements that contribute towards maintaining gender segregation in working life. In this case there is strong emphasis on the gender-segregated labour market as a reason for the pay gap between women and men. Segregation and pay discrimination are linked together and regarded as two phenomena that reinforce and complement each other.

In gender research, attention is focused on how gender differences are established through various material and symbolic processes. The power-analytical perspective is enriched by a culture-analytical perspective. If we start from the pay gap between women and men, a constructionist approach will primarily point to a complicated interaction between employers' and employees' actions, enshrined in economic and political structures. Such structures are also characterised by gender-symbolic concepts of qualities, qualifications and their value. Various types of discrimination related to valuation are a central theme in gender research. Gender research has also, for many years, pointed to the interaction between paid and unpaid work as an important factor in understanding women's and men's behaviour on the labour market.

The theoretical framework from the point of view of economic, sociological and culture-analytical thinking is important as an analytical tool. It can be used as an aid in classifying phenomena and thereafter understanding the connections between them. However, it is far beyond the Commission's mandate to test or evaluate the validity of the various theories.

The borderline between what is pay discrimination and what can be regarded as legitimate pay differences will always be a matter of judgement. The term discrimination can be used to describe unjustified differential treatment, something that is done intentionally. But discrimination can also be indirect and unconscious, a result of established practices and of the fact that apparently gender-neutral rules have a discriminatory effect.

The report investigates three different types of discrimination: discrimination in terms of pay for the same work, discrimination in terms of position, and discrimination in terms of valuation. The question is, how big is the legitimate part of the pay gap? And how much of it can be explained with the help of the three types of discrimination? It is difficult to prove that discrimination takes place. However, with the help of analyses we can show what does not explain the pay gap and in this way obtain an indication of what does lead to pay differences.

To understand the causes of pay differences, it is not sufficient to study individual discrimination. It is necessary to focus attention on structural factors, on wage formation and on how the labour market functions. In addition to analyses of structural factors, improved insights into employees' preferences and opportunities for choice as regards work, career and family will be important.

### *A gender-segregated labour market*

Norway has one of the most gender-segregated labour markets in the industrialised world. Norwegian women are almost as economically active as men, but they do not work in the same occupations, industries or sectors as men. There are a multitude of causes for this pervasive phenomenon. There is no single reason but there are several complementary reasons why boys and girls, men and women, make choices that historically are typical for their gender.

Boys and girls make different choices. We have no clear answer to why this is so, but we see that women and men strike a different balance between their family life, leisure time and career.

The fact that women do most of the work in the home is also an important factor in understanding why the labour market is still segregated by gender. Economic theory has shown that in the short term it may be rational for a person to reduce his/her economic activity if his/her partner earns more (per hour) outside the home. Since we know that men, on average, have higher hourly pay than women, this may explain why so many women choose part-time jobs. Women themselves also say that consideration for the family is the reason why they have not given priority to a career. The division of work in the home is therefore an important factor in understanding gender segregation in working life.

Many studies of appointments and promotions at enterprise level have been carried out in order to discover the extent to which an employee's gender affects his or her career opportunities. Most studies conclude that there does not appear to be any direct discrimination against women in the appointment and promotion process. The hypothesis of a "glass ceiling" only receives limited support in more recent Norwegian studies. Instead, researchers have observed that many people believe there is a glass ceiling for women, and this belief may be self-fulfilling.

Together, these explanations give a complex picture of the reasons for the gender-segregated labour market. The consequences of this segregation may be a stiff, inflexible labour market where society does not utilise human resources well, but also a working life where people can realise different desires and life projects. Research also shows that differences between women's and men's pay are associated with the fact that the labour market is divided into "women's jobs" and "men's jobs". The pay level is generally lower in occupations where the proportion of women is high. In general, women receive less return on their education and experience than men do. This is especially due to the fact that many women work in the public sector, which has lower wage levels and a more compact pay structure than the private sector.

There is much to indicate that the current low level of pay in women's professions also helps to maintain segregation. It is likely to be unattractive for men to make an untraditional choice of career, such as pre-school teacher, unless they have a financial incentive for doing so. We

are therefore talking about mutually dependent processes, where the gender-segregated labour market both maintains and is maintained by pay differences between women and men.

### *Equal pay in collective wage formation*

The collective bargaining system in Norway is a highly complicated process involving many different actors, levels and forms of settlement. The Commission has therefore not had any ambition of describing all the nuances and trends in wage settlements, but has merely presented the main trends in the past ten years.

Equal pay for women and men is today a central topic for all the main employees' organisations in Norway. However, the fact that all employees' organisations bring up the issue of equal pay in negotiations does not mean that there is full agreement between them on what the most important problems in connection with equal pay are. The disagreements between them will also be based on the fact that the various trade unions represent groups with different educational levels and different occupational and sectoral ties. The organisational landscape reflects this complexity. In the 1990s, disagreement on equal pay primarily had to do with the extent to which pay differences between women and men were a low-wage problem, or whether they were primarily linked to pay differences between male-dominated and female-dominated occupations (requiring an equally long education).

It was possible to live with this disagreement because negotiations in the private and public sectors took place separately. However, the profile of the result of negotiations in the private sector also had an impact on the public sector and thereby largely overruled the desire of many of the organisations to equalise pay levels in male-dominated and female-dominated occupations with equally long educational requirements. Equal flat rate supplements for all led to smaller wage differences and an increasingly compact wage structure, especially in the state sector. However, this picture has changed in the past five years, among other things because the composition of the labour force has changed. It is also significant that current wage policy in the state sector is based on compromises between the state as employer and an alliance of the three main federations in the state sector.

One crucial question we have tried to answer is whether female-dominated or male-dominated groups have achieved the best results in wage settlements in the past decade. We have seen above that the *wage level* is systematically lower in bargaining areas where the proportion of women is highest. However, this does not mean that female-dominated areas have done worse in wage settlements than male-dominated areas in the past decade. As a percentage, *wage growth* has been approximately the same for female-dominated and male-dominated bargaining areas in the period 1997-2005. In the period 2001-2005, there was even a positive correlation between the proportion of women in a bargaining area and wage growth.

The fact that wage growth in female-dominated areas has been as good as in male-dominated areas does not necessarily mean that the Norwegian collective bargaining model is gender-neutral, but rather that the model maintains or reproduces a stable wage relationship between the sexes. There is no systematic skewing of wage growth to the benefit of male-dominated bargaining areas, but nor does the collective bargaining model manage to change relative wage differences.

The collective bargaining model therefore maintains and continues existing wage differences. The system has a strong tendency to maintain or reproduce wage relationships between

different groups. There are many reasons for this. Within a bargaining area, it may be difficult to justify one group's demands above another's, and between bargaining areas, unequal wage growth leads to a higher level of conflict among those who risk being left behind.

In several bargaining areas, large parts of the pay gap are reduced when we take into account education, experience and working hours. This means that part of the pay gap between the sexes can be explained by the fact that women and men are different in terms of these types of observed characteristics. Analyses show that women receive a lower return from both education and work experience than men in certain areas. This particularly applies in the fields of *Financial Services* and *Industry – White Collar*. Analyses also show that the pay gap between women and men is greatest in areas where the framework from the 'pace-setting industries' model is less influential than in other areas.

An analysis of wage settlements in the past ten years does not give grounds for maintaining that the pace-setting industries model contributes towards increasing the pay gap between women and men. It points out that changes in the collective bargaining model in recent years give grounds for believing that the pace-setting industries model will gain greater legitimacy and acceptance among the parties in the years ahead. This applies, among other things, to recent years' practice of taking greater account of pay trends for white collar workers in the private sector when the framework for wage negotiations is set.

#### *Children, care responsibilities and pay*

Recent studies show that women's pay is lower for each child. The more children a woman has, the greater the loss of pay. For men, the opposite tendency applies. Men with children have higher hourly pay than men without children. Studies show that a relatively large part of the pay gap is ascribable to pay differences between women and men with and without children. One study finds that 40 per cent of the difference in hourly pay between women and men in the private sector can be ascribed to children. Children have less impact on wage differences in the public sector, where 20 per cent of the pay gap is ascribable to children. Research also shows that the pay gap between women with and without children is reduced in the course of a lifetime and is significantly less when the children have passed the infant stage.

Why do children and care responsibilities have a negative impact on women's pay? This chapter reviews various approaches to this question. Some researchers believe that children have a negative impact on pay due to mothers' long absence from work and the reduction in personal capital that results from such absence. Most mothers take their full quota of parental leave and are absent from work for one year for each child. In this period, mothers lose valuable work experience and training, which means that they become less valuable to the employer compared with a person who has been on the job throughout the entire period.

Researchers also point to other mechanisms that affect mothers' loss of pay. In this context, mothers and fathers are defined as married and cohabiting parents with children aged 0-15. Some studies show that mothers are segregated and have different jobs and different employers than other women. Perhaps this is because mothers stress the importance of factors other than pay when choosing a job. During the phase when they have small children, a predictable working day with no compulsory overtime and a possibility for working part-time may be at least as important as pay. Mothers do considerably more of the housework than

fathers do. We can therefore assume that it has been more important for mothers than for fathers to seek jobs that can be combined with family life.

### *Explanations of the pay gap between women and men*

The Equal Pay Commission summarises explanations of gender differences in pay in five main points:

- a) Differences in length of education and age explain very little of the pay gap today
- b) Women and men are paid approximately the same for doing the same job in the same enterprise
- c) The pay gap reflects the gender-segregated labour market
- d) The bargaining system maintains stable wage relationships, including between women and men
- e) Pay differences increase during the infant stage

These main points provide the basis for the Commission's discussion of measures to reduce pay differences between women and men.

The Commission also points to areas where more research is required. Among other things, it concludes that there is a lack of comprehensive research into the gender-segregated labour market in Norway, and there are very few representative studies of recruitment and promotion processes in enterprises. We also have insufficient knowledge of the connection between family adjustment and the labour market, and there is still a need for more knowledge about the effects of various bargaining systems on both pay differences between women and men and pay differences between different sectors.

## **Part III Evaluation of instruments and measures**

### *Experience gained in Norway and internationally from measures to promote equal pay*

Most countries have some kind of legislation against wage discrimination which is intended to ensure that women and men receive equal pay for the same work and work of equal value. Experience indicates that the prohibition against differential treatment has reduced the incidence of unequal pay for the same work. The right to equal pay for work of the same value has had less impact.

The practice of the Gender Equality and Anti-Discrimination Tribunal shows that appeals are very rarely upheld in cases where questions are raised concerning the valuation of work across occupational and collective wage agreement borders. One reason why it is difficult to win an appeal is that consideration for market value can be taken into account, which opens the way for differentiated pay. In addition to this comes the requirement for appeals to be brought by individuals. The fact that employees are not entitled to information about their colleagues' pay also makes it difficult or impossible for them to compare their own pay with that of others. All in all, this may have led to individuals being unwilling to lodge an appeal, since it may entail a severe strain and there are few prospects of winning. In addition to this, the scope of the law is limited to the same enterprise, while the labour market is highly segregated by gender. The main pay differences reflect the gender-segregated labour market and therefore fall outside the scope of the Act.

The question of the need to strengthen the Gender Equality Act in relation to collective wage agreements has been raised many times. This is because only the Labour Court can rule on whether a collective agreement is in contravention of the equal pay provision. In 2002 the Gender Equality and Anti-Discrimination Tribunal was authorised to give its opinion on the validity of collective wage agreements, but it has not utilised this right.

Another type of instrument is the duty to make active efforts to promote gender equality in working life. The Norwegian Gender Equality Act includes a reporting and activity obligation, which is enforced by the Gender Equality and Anti-Discrimination Ombud. The Ombud wishes to place greater emphasis on ensuring activity at enterprise level, but believes there is a need for resources for both monitoring and guidance. Sweden has a similar provision concerning the duty to prepare action plans in enterprises with at least ten employees. In recent years, Sweden has invested considerable resources in enforcing this provision and has carried out investigations of pay in many enterprises, which have resulted in pay adjustments for many employees.

At the international level, job evaluation as a method for promoting equal pay has long traditions, but this method has not had much impact in Norway. The report provides a thorough description of the method itself, the experience that has been gained internationally and in Norway, and criticisms that have been raised against this tool. Many examples have shown that it is not so difficult to measure the value of work, on the principle of job requirements. The problems and conflicts of interest usually occur at the next phase, when the job evaluation should lead to pay adjustments and new pay relationships between occupational groups. Job evaluation within enterprises will also have little effect on the pay gap, because the greatest pay differences reflect the gender-segregated labour market, where women and men are divided between different industries, sectors and workplaces.

Since pay differences reflect the gender-segregated labour market, measures have been initiated to break this segregation, targeting employers' behaviour and women's and men's choices. The report provides an overview over measures to change boys' and girls' choice of education, the recruitment of women to management and academic positions and gender quotas. The results have been highly mixed. It has proved difficult to change boys' and girls' educational choices. However, active measures to recruit women to leading and higher positions have achieved better results. Gender quotas have had varied results. They have proved to be both controversial and ineffective as a means of ensuring better paid positions for women. On the other hand, however, the legal requirements for gender quotas on boards of directors have had good results.

The most important wage formation takes place in collective bargaining between the social partners, and the parties concerned have long traditions of addressing the issue of equal pay in their negotiations. Income policy measures to promote equal pay can vary from stipulating a minimum wage to introducing common pay scales for women and men, ensuring centralised negotiations that can prevent differences between sectors/federations and revising pay scales for low-wage and female-dominated groups. Several measures have been implemented to promote equal pay based on prioritizing low-wage groups through flat rate supplements and special supplements in the collective wage agreements. One important breakthrough was the 1961 framework agreement on the implementation of equal pay between the Norwegian Confederation of Trade Unions (LO) and the Norwegian Employers' Confederation (NAF). The low-wage settlements in the 1970s and 1980s also helped to improve pay for low-wage groups and thereby large women's groups.

In addition to instruments that directly target factors in the labour market, there are many instruments that have a more indirect impact on pay differences between women and men. The purpose of such instruments is primarily to strengthen the position of women in working life. The goal of family policy measures is to ensure that mother and father share care responsibilities and thereby become equal actors on the labour market. A policy that aims to facilitate women's ability to take paid work through arrangements such as day care institutions, family policy schemes, shared parental leave and the prohibition against discrimination against pregnant women are therefore a contribution towards gender equality and equal pay. The report also describes the Icelandic parental leave system, which ensures that fathers are entitled to one third of the leave period.

Finally, attention is drawn to the importance of enhancing knowledge and information activities. Many campaigns to promote equal pay have been carried out in Norway and internationally. It is difficult to measure the effect of putting equal pay on the political agenda with the help of knowledge and information. However, experience shows that equal pay is a topic that easily attracts attention. Iceland and France are two examples of countries that have developed equal pay certificates for companies that work actively to promote gender equality and equal pay. One important reason for participating in this type of scheme is that certification will enhance the company's reputation for good management and corporate social responsibility.

#### *Seven proposals for measures to promote equal pay for women and men*

The Equal Pay Commission argues that equal pay for women and men does not mean that the goal is equal pay for all, but that pay must be determined in the same way for women as for men and unreasonable gender-based differences in pay are unacceptable. However, opinions differ about how this is to be interpreted and about the instruments that should be used to achieve equal pay. The majority of the Equal Pay Commission has considered both measures aimed at achieving equal results (eliminating undesirable pay differences) and measures aimed at ensuring equal opportunities for choice and equal chances in working life.

One important goal of the measures that have been considered by the Equal Pay Commission is that they must help to improve the position of women on the labour market. The Commission has therefore not considered proposals for compensatory measures, such as lower taxes for women or lower national insurance contributions from employers for women employees. Some of the measures place the responsibility for implementation with the authorities. Others have been designed as a request and a recommendation for the social partners.

1. Enforcement of the duty under the Gender Equality Act to promote gender equality, including equal pay, should be strengthened. a) The Gender Equality and Anti-Discrimination Ombud should receive an increased annual allocation of NOK 10 million (the equivalent of €1,25 million and \$ 2 million). The Gender Equality Act should be amended: b) enforcement of the duty to make active, targeted and systematic efforts to promote gender equality, including equal pay, should be strengthened, c) authorisation should be provided for regulations concerning the content of the duty to promote gender equality, including equal pay, and d) enterprises over a certain size in both the public and private sector should be required to produce

pay statistics, broken down by gender and position. These statistics should be made available to all employees.

2. The authorities and the social partners should implement a pay increase for selected female-dominated occupations in the public sector. A prerequisite for the pay increase would be the establishment of an agreement between the parties stating that wage growth in the public sector may be higher than in the private sector, and that new relative pay differences between the groups will not trigger demands for compensation. The pay increase cannot be implemented administratively by the authorities alone. The pay increase would entail the allocation of fresh funding through the national budget, approximately NOK 3 billion (the equivalent of €0,375 billion and \$ 0,6 billion), which, in connection with a revision of a wage agreement, would be used to raise the level of pay for female-dominated occupational groups in the public sector.
3. The social partners who are involved in collective bargaining in the private sector are recommended to allocate funds for combined low-wage and women's pots in the wage negotiations. It is argued that such pots will not necessarily affect the total frameworks for the wage negotiations, but that this will in any case entail re-setting the priorities between female-dominated and male-dominated groups in the private sector.
4. Chapter 14 of the National Insurance Act should be amended to ensure that mothers and fathers divide parental leave more equitably between themselves. The amendment would mean that one third of the parental leave period would be reserved for the father, as in the Icelandic parental benefit model. This measure would entail an estimated additional annual cost of between NOK 700 million (the equivalent of € 87,5 million and \$ 140 million) and NOK 860 million.
5. The social partners are urged to introduce a right, regulated by agreement, for employees who are absent from work due to parental leave to at least an average pay increase when they return to work. At a later date the authorities should consider whether such right should be made statutory in order to include areas in the private sector that are not covered by a collective wage agreements.
6. The Government should design a project to support enterprises and organisations that implement measures to increase women's competence and motivation with a view to increasing the recruitment of women to management positions. This scheme could be designed in such a way that enterprises and others can apply for funding for targeted efforts to increase the proportion of women in management positions. The project should be of sufficient size to allow for annual expenditure on the scheme of NOK 10 million (the equivalent of €1,25 million and \$ 2 million), and should initially have a term of five years.
7. The parties in the public sector are recommended to increase the use of local negotiations in bargaining areas where there is a large proportion of female-dominated occupational groups.

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