

## 3.2 The Gender Pay Gap and its Causes

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*This paper reviews some of the complex and varied reasons which contribute towards the gender gap. Demand side and supply side theories seek to explain the causes of the wage gap which currently stands at 16% across the EU, but is much lower (6%) in Malta. Whilst noting these causes, since men take a much lower share of unpaid work in the family, the wage gap is unlikely to close. Hence, part of the solution lies in ensuring equality of rights and equality of burdens between women and men even outside the workplaces to address the pay gap.*

The principle of equal pay for equal work is enshrined in Article 14 of the Constitution of Malta. The Employment and Industrial Relations Act (2002) further clarifies that there should be equal pay for work of equal value. In principle, this means that men and women should be paid the same rates for equal work, or, if their work is of equal value. Yet, in spite of clear legislation at the national and at the European Union level, prohibiting wage differences on the basis of gender, is this really happening?

In 2014, the average gender pay gap in Europe stood at 16%, which means that women on average earned 84 cents for every 100 cents earned by men. This rate varies across the EU with countries like Slovenia, Poland, Italy, Luxembourg and Romania who have a gap of less than 10%, and others like Hungary, Slovakia, Czech Republic, Germany, Austria and Estonia where the gap is higher than 20% (Eurostat, 2015).

Malta scores rather badly in the Global Gender Gap Report in relation to women's economic participation. For example, in 2014 it was ranked in the last quartile, having achieved the 114<sup>th</sup> place out of 142 countries (World Economic Forum, 2014). Yet ironically, in Malta the gender pay gap at 6.1% is much smaller than the EU average of 16% (European Commission, 2014).

However, this small gap may be misleading because the gender pay gap is not an indicator of the overall inequality between women and men in the labour market, since it only concerns salaried personnel. When considering that that female employment rate amounts to just 51.1% (LFS, 2015), this may be indicative of why the gender wage gap is low in Malta. This is because overall there are far more inactive, and hence non-salaried women (103,121), when compared to those who are working (71,763) and for this large inactive cohort of women the wage gap is markedly higher when compared to men's income. This is not always clear cut, but countries like Malta, Italy and Croatia, which have relatively lower female employment rates, seem to enjoy an artificially lower wage gap than the average (Eurostat, 2015). In contrast to this low gap, a study commissioned by the National Commission for the Promotion of Equality (NCPE, 2006) which adopted a different methodology to that used by the National Statistics Office (NSO), indicated that the wage gap was much higher at 23%. Yet its existence was negated by almost all the informants participating in this study regardless of their gender, occupation, social class and level of education (NCPE, 2006). So what exactly is the wage gap and what are its main causes?

The gender pay gap is defined as "the relative difference in the average gross hourly earnings of women and men within the economy as a whole" (Eurostat, 2012). This indicator is 'unadjusted', which means that the noted difference in the hourly pay rate has not been adjusted according to differences in individual characteristics or other observable features which may explain some of the earnings variation. In itself, this definition makes it evident that the issue is not clear cut, nor is it easy to analyse or solve. This makes it clear that we cannot go about trying to close the gender pay gap without first understanding what are its main causes and why it still persists today. Hence, in this paper I will discuss a number of factors that may shed more light on the causes of the gender wage gap in Malta and beyond. Both demand-side and supply-side factors are reviewed in order to try and explain some of the underlying factors that may be leading to the gender pay gap in general.

### **3.2.1 Demand Side Factors and the Gender Pay Gap**

When discussing demand side factors, I am referring to legal, organisational and structural factors that may help us understand the phenomenon of the

gender wage gap. For example, up until 1976 it was perfectly legal to have differentiated wage scales for women and men in Malta, and women then got only 75% of what men earned. Differentiated wage scales were not exclusive to Malta and actually go back a long way back in time. For example in the United States, women working in the manufacturing sector until the middle of the 19<sup>th</sup> century, were only paid half of men's wages (Vallas, 2012). Thus historically we know that governments in many countries provided legal protection to employers who discriminated against women. With time, wage differentials between women and men seem to have become embedded in the social culture and norms, possibly because it was assumed that men need to be paid higher wages in order to maintain their families as the main breadwinners, whilst women would simply supplement the family income.

Direct discrimination against women however, can only explain part of the wage gap since legislation now-a-days makes it more difficult to discriminate in such a blatant way. Yet, this does not mean that the sentiment of wage differentials and a higher evaluation of men over women has been completely wiped out and eradicated out of the social psyche. In fact women's competences and skills still tend to be undervalued. For example, through a longitudinal study of occupations obtained through the U.S. census data ranging from 1950 to 2000, Levanon, England and Allison (2009) found substantial evidence that jobs predominantly occupied by women tend to receive lower pay scales for jobs requiring similar skills, qualifications and experiences when compared to those done by men. They called this the Devaluation Theory. This may also in part be noted in the gender segregated labour market where women working in the science and engineering field which tend to be better paid are still a minority when compared to the health, education and the public sector which is largely dominated by women (Eurostat, 2015).

When considering demand side factors, it is essential to look at organisations and organisational cultures in order to explore how these help sustain the gender wage gap. For example, Acker (1990) makes it clear that organisations are not gender neutral but typically build their organisational values (and hence their reward and punishment systems) around masculine ideal worker traits and norms. Whilst this may be assumed to be harmless, in reality this puts women at a disadvantage since they must struggle harder to fit into the

masculine template of the ideal worker who typically chooses the primacy of paid work over all other aspects of life (Bailyn, Drago, & Kochan, 2001). So by working in gendered organisations and adhering to masculine norms, men tend to have a more linear and consistent work pattern through which they garner more benefits across time, these in turn lead to higher earnings and more perks over time.

After exploring some of the demand side factors that may be contributing to the existence of the gender pay gap, it is also essential to look at supply side or personal factors which may lead to it.

### **3.2.2 Supply Side Factors and the Gender Pay Gap**

The gender pay gap is the lowest amongst young employees in almost all EU countries (except Cyprus, Portugal and the UK) and the gap tends to increase with age as a result of career interruptions women face, amongst other things (Eurostat, 2015). The Human Capital Theory may address part of the wage gap in that, generally speaking, men invest more time in their careers than in the family and hence they incur fewer penalties that typically afflict women, especially mothers who have to combine family with paid work (Young & Wallace, 2009). Theorists like Hakim (2006) suggest that this is as a personal choice or a 'preference'. However, this raises doubts about whether women's choices are free from invisible gendered pressures that restrain us all and which push us to conform to social expectations around gendered norms and gendered expectations. In doing so, it is unlikely that women are conscious of how their choices will affect their earnings across their life time.

A large chunk of the wage gap reflects the hurdles that women typically face when having to combine work with family and care. For example, an Estonian study found that, for each child a woman has, the earning power of the mother is reduced by 3.6% (but the man's earning potential is not affected) (Eurofound, 2010). In Norway, having children explains up to 36% of the gender pay gap (Eurofound, 2010). This suggests that the length of parental leave has a definite impact on the wage gap. In Germany, the gender pay gap rises to 14% for women who return to work from parental leave after three years or more, but it is lower (6%) for mothers who return to work within the first 12 months of having a child (Eurofound, 2010)

### 3.2.3 Conclusion

This paper has argued that the reasons behind the gender pay gap are complex and varied. The concept of differentiated wages between women and men stem from laws that go a long way back. This means that discrimination against women was institutionalised and it enabled employers to pay men more for the simple reason that they were men and not women (Vallas, 2012). Whilst noting that today it is more difficult to discriminate directly because of the legislation in place that prohibits them from doing so, various arguments highlight how structural barriers in gendered organisations help men gain a higher status with better earnings when compared to women. Furthermore, I have shown how women's work is still devalued and categories typically occupied by women tend to receive lower pay scales when compared to those of men, even if these require similar skills, qualifications and experience (Levanon, England, & Allison, 2009).

However, I have argued that a large proportion of the wage gap may be due to gender choices within the family which often lead men to assume lower shares in unpaid work thus allowing them a more consistent and linear career trajectory that affords them higher rewards at work that include higher wages. Until men are 'allowed' or continue to assume lower burdens in the home, closing the wage gap will continue to be elusive.

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