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Will pay transparency close the gender pay gap? The EU thinks so

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After seven years of promoting a voluntary approach to pay transparency, the EU has proposed new binding measures for member states. The president of the European Commission, Ursula von der Leyen, put closing the gender pay gap on the agenda for her tenure, and the new measures were a campaign promise.

The pay gap has remained stubbornly high in Europe for decades, and is currently at 14.1%. Will these new transparency measures help close it?

To answer this question, it helps to know where pay inequality comes from. The gender pay gap results from a number of interlocking factors. These operate at the household, organisational and labour market levels.

At the household level, an uneven division of care work and unpaid tasks constrains women's labour force participation and career advancement. At the organisational level, managerial practices and diverging pay levels are rarely challenged, yet are often a source of discrimination. And at the labour market level, women and men are segregated into differently valued jobs, organisations and sectors – child care workers, overwhelmingly female, receive very low pay, while the male-dominated engineering profession, for example, attracts high salaries.

Of these three categories, pay transparency measures are expected to have the greatest impact at the organisational level.

How pay transparency helps

There are a number of reasons why salary transparency may help to unblock the current slow progress in closing the gender pay gap.

Greater openness on how much individuals are paid will help individuals secure equal pay where they suspect they are unjustifiably paid less than their colleagues. Meanwhile, organisations, keen to protect their reputations, will be encouraged to audit and clean up their own pay inequalities. Transparency could also help reduce the inequalities that emerge from unequal starting salaries, secrecy agreements and other unchecked managerial decisions.

The European Commission first began promoting pay transparency in a [2014 recommendation](#), which encouraged EU member states to give employees the right to request information on pay levels, to ensure companies regularly report on pay and conduct audits, and to include equal pay in collective bargaining.

Although some member states responded positively to the recommendation – including Austria, Belgium, Denmark, France and Germany – many did not. Faced with limited progress, the European Commission has reasserted its commitment to pay transparency this year, proposing a legal approach that draws upon its earlier recommendation and new research.

The gender pay gap in Europe

The difference between average gross hourly earnings of male paid employees and those of female paid employees. Data from 2018.

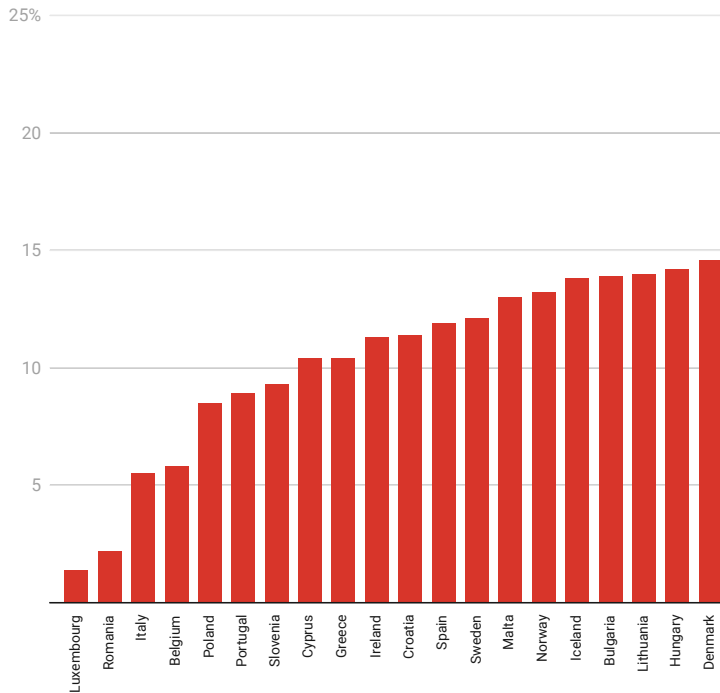


Chart: The Conversation France • Source: Eurostat • [Get the data](#) • [Embed](#) • [Download image](#) •

This time, the commission is proposing a number of new measures.

Employers will need to provide greater transparency to job seekers about the criteria by which they set pay and will not be able to ask about a candidate's previous salaries during job interviews. Employees, meanwhile, will have the right to request information about pay averages in their firm for workers doing the same work or work of equal value. Larger employers will have to publish information on internal pay gaps and, where pay gaps exceed 5%, employer and employee representatives will have to assess the reasons behind them.

Arguments against transparency

The right to equal pay between women and men is one of the oldest EU principles. However, it remains difficult to implement as, in essence, it's an individual right, which makes it costly to enforce. It is also controversial because it is perceived as an interference with the autonomy and freedom of business, despite the fact that businesses must respect a range of regulations from health and safety to fiscal measures.

Some claim that pay transparency breaches privacy law. But in reality, such measures rarely include the right to access personal information and so should not be incompatible with EU privacy law. This aim may also be resisted, as the ability of managers to set pay is seen by some as a key part of the managerial prerogative. Indeed, some managers regard the current opacity around pay decisions as an important element of workplace control.



Some managers use pay secrecy as a method of control.

Cost has frequently been raised as a concern and in response, the European Commission has provided exceptions for smaller firms with fewer than 250 employees. All the same, the commission estimates that the total annual costs for employers affected will be rather low, from 379 to 890 euros.

It is important to recognise that such legislation will only apply to pay differentials within firms, so the segregation of women and men between low and high-paying firms and sectors is unlikely to be affected. For some, these checks and balances on managerial decisions may promote a sense of justice at the organisational level with positive consequences.

A step toward equality

The proposed EU measures represent a step forward in the fight against the gender pay gap, as they enhance workers' chances to gather data to demonstrate pay discrimination.

Early signs show that even non-legally binding pay transparency policies have an impact. Thus, a legally binding application of these principles could be a source of hope in the long process of reducing the gender pay gap. Other groups, who may also be suffering pay discrimination, could also benefit as the proposed directive recognises disadvantage that arises from the intersections of sources of discrimination, such as race, religion and age.

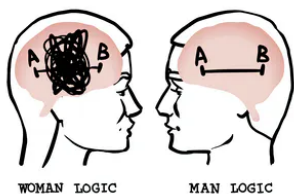
Still, the informal arrangements that maintain inequalities inside organisations are a formidable barrier to overcome. These barriers are now combined with new Covid-related challenges – including women dropping out of the workforce due to the pandemic – that have led in some cases to the suspension of existing transparency measures and other gender equality setbacks.

Rather than a magic solution, pay transparency should perhaps be seen as a part of a range of measures to promote pay equality among women and men. Everyone should be responsible and active in maintaining their vigilance about pay inequalities.

This article was originally published in French

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