International Approaches to Closing the Gender Wage Gap

By Kaitlin Holmes and Danielle Corley     April 4, 2017

In October 2016, thousands of working women in Iceland seized international attention after leaving their offices at 2:38 p.m.—14 percent earlier in the day than their male counterparts—and banding together to protest the 14 percent gender wage gap that they face.¹ Less than a month later, on November 7, women in France followed suit, leaving work at precisely 4:34 p.m. to demonstrate their 15.1 percent gender wage gap.²

The above examples clearly demonstrate that the gender wage gap is not unique to the United States, where women still earn 80 percent of what men earn. In American households, more than two-thirds of mothers are the primary or co-breadwinners for their families, meaning that the gender wage gap hits working families particularly hard.³ Moreover, the wage gap is even worse for women of color, as Figure 1 highlights. For example, on average, African American women earn 63 percent and Hispanic women earn just 54 percent of what white, non-Hispanic men do.

Indeed, in each country in the Organization for Economic Cooperation and Development, or OECD—a group of 35 advanced and emerging economies—women experience a wage gap. The gap ranges from 36.6 percent in South Korea to 5.6 percent in New Zealand.⁴

Despite considerable national differences in the severity of the gender wage gap around the world, a study by the World Economic Forum, or WEF, suggests that the wage gap will take decades to close in almost every country. According to the WEF, if the gender wage gap continues to close at its current rate in each region, it may take anywhere from 46 to 158 years for countries across the globe to eliminate the gap. North America—defined as Canada and the United States in the report—is at the far end of that continuum: It is not projected to close its gap for another 158 years.⁵ The good news is that many countries have taken innovative steps to shrink the gap, making critical progress not just for women but for working families across borders.
This issue brief outlines how other countries have taken action to diminish the gender wage gap. The intent of this brief is not to be a comprehensive guide detailing the policies other countries use to address pay equity but rather to offer examples and overall trends of international approaches to the gender wage gap, with a particular focus on OECD countries, which are economically similar to the United States. In doing so, it may offer insight as to how the United States can adopt policies to address its own gender wage gap.

Causes of the gender wage gap

What is the gender wage gap? Although they are often conflated, equal pay for equal work and the gender wage gap are distinct issues that require targeted solutions. Not rewarding equal pay for equal work is the practice of paying different wages—intentionally or not—to employees who do the same work, and it is generally considered illegal discrimination. The gender wage gap is a different concept that reflects the consequences of unequal pay and a lack of other work-life supports. More specifically, it is the difference between men’s and women’s median annual full-time wages.⁶
There is a large body of research that examines the drivers of the gender wage gap within countries as well as variation between countries. International studies show that differences in wage-setting mechanisms—such as minimum wage laws and the extent of collectively bargained wages—largely account for variation in the gender wage gap between countries. Francine Blau and Lawrence Kahn, who have done extensive research on the gender wage gap both within the United States and internationally, explain that the United States’ relatively weak wage-setting mechanisms result in a higher level of income inequality, which leads to a higher wage gap. This means that because women across countries are generally more concentrated at the bottom of the wage distribution—that is, women disproportionately work in lower-income jobs, and female-dominated occupations often have lower average wages—a country with higher overall income inequality likely has a larger gender wage gap. Further research has shown that when women enter a traditionally male-dominated field, the field’s average pay decreases—even after controlling for education, work experience, skills, race, and geography.

Yet occupational differences alone cannot fully explain the gender wage gap, which persists within occupations. Research breaking down the wage gap in the United States shows that factors other than occupation, industry, and union status play a role. In a 2016 paper, Blau and Kahn break down the variables driving the U.S. gender wage gap and find that occupation and industry account for roughly half of the total gap. Another 14 percent is due to differences in experience, which can result from time taken out of the labor market for caregiving responsibilities. Economist Claudia Goldin’s research shows that caregiving responsibilities also lead to women working fewer hours than men, often moving in and out of the labor force, a factor that also contributes to the gender wage gap.

### TABLE 1

**Underlying causes of the gender wage gap**

Findings of Francine Blau and Lawrence Kahn

<table>
<thead>
<tr>
<th>Potential driver</th>
<th>Share of effect on gender wage gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry differences</td>
<td>17.6%</td>
</tr>
<tr>
<td>Occupational differences</td>
<td>32.9%</td>
</tr>
<tr>
<td>Region</td>
<td>0.3%</td>
</tr>
<tr>
<td>Race</td>
<td>4.3%</td>
</tr>
<tr>
<td>Education</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Union membership</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Experience</td>
<td>14.1%</td>
</tr>
<tr>
<td><strong>Unexplainable</strong></td>
<td><strong>38.0%</strong></td>
</tr>
</tbody>
</table>

Despite extensive research on the nature and drivers of the gender wage gap within and between countries, a large portion still cannot be explained. Blau and Kahn found that in the United States, 38 percent of the gap is unexplained by industry, occupation, education, experience, union, or demographic factors.\textsuperscript{13} Another study by Glassdoor of its compiled salary data also found that 33 percent of the pay gap between men and women is unexplained.\textsuperscript{14} While laws that raise the minimum wage; strengthen collective bargaining; provide paid sick days and paid family and medical leave; and ensure affordable childcare are all important aspects of closing the wage gap, the fact that such a large percentage of the gap cannot be explained underscores the need for policies directly targeting discrimination in order to completely eliminate the gap.

The need for policy solutions

Unequal pay can be battled with anti-discrimination efforts, but closing the gender wage gap requires anti-discrimination efforts as well as a broader suite of work-life policies, such as paid family and medical leave, paid sick days, and affordable child care.

Women in industrialized nations face similar challenges in the workplace and at home that contribute to each country’s gender wage gap. Notoriously, however, the United States is the only industrialized nation without paid maternity leave and one of just a handful of developed nations without paid sick days.\textsuperscript{15} And the United States is not only an outlier in terms of work-life policies. It was once a leader in anti-wage and anti-sex discrimination efforts over half a century ago with the Equal Pay Act and Title VII of the Civil Rights Act of 1964, but these issues have become so partisan that most recent robust federal proposals have been stymied by congressional inaction.\textsuperscript{16} The only recent equal pay law to break through gridlock was the Lilly Ledbetter Fair Pay Act of 2009, which clarified wage discrimination victims’ time to file suits under Title VII.\textsuperscript{17} Yet the law was not intended to be an all-encompassing solution; instead, it focused on regaining ground lost as a result of the Ledbetter v. Goodyear Tire and Rubber Co. Supreme Court decision two years prior. The Ledbetter Act provided a critical correction to Title VII but did not more broadly address the need for stronger protections against pay discrimination. In particular, it did not address gaps in or expand the Equal Pay Act.\textsuperscript{18}

While achieving progress on work-life and anti-discrimination policies has been all but impossible in the United States with recent congressional polarization, other countries have made progress on both fronts. Many countries are addressing both facets of the gender wage gap, as they have implemented both work-life supports and innovative solutions to combat wage discrimination.
Policy trends abroad

In addition to implementing work-life supports, most developed and developing countries have taken innovative steps to close the gender wage gap. A few recent policy trends have emerged from those solutions. They include, but are not limited to: protecting workers from employer retaliation for discussing wages; expanding employer pay data collection efforts; implementing equal pay for work of equal value guidelines; using gender-responsive budgeting; providing credits for caregivers; and bolstering damages for victims of wage discrimination. Although it may be too early to tell which of these policies are the most effective in eliminating the gap, it may be useful for U.S. policymakers and researchers to keep an eye on how each of these efforts unfold.

Prohibiting pay secrecy and employer retaliation

At the national level, workers have uneven legislative protections against pay secrecy. Technically, nonsupervisory U.S. workers who are covered by the National Labor Relations Act and discuss their own wages with co-workers are protected from employer retaliation. However, many American workers are unaware of this protection, as employers often violate the federal law, and financial penalties for doing so are not onerous enough to deter the behavior. Some states—such as California, Connecticut, Maryland, New Hampshire, New York, Oregon, and Minnesota—have enacted their own protections for pay disclosure.

In other countries, however, protecting workers who discuss their own wages from employer retaliation may seem like a no-brainer on a national scale. For example, in 2008, Iceland bolstered protections for workers who disclose their own wages. Additionally, in the United Kingdom, the Equal Pay Act 1970 was replaced by the Equality Act 2010, which not only bolstered existing equal pay protections but also protected employees who discuss their own wages.

Pay data collection, pay data reporting, and gender audits

Many countries have required some type of pay data reporting—to government authorities or publicly—for years. For example, Austria, Belgium, Sweden, Denmark, and Portugal have implemented their own versions of this policy. Generally, pay data reporting is the process of requiring or incentivizing employers to collect and provide their pay data to government bodies, but the details can vary greatly from country to country. Reporting requirements hold employers accountable to examine and address their own pay practices.
Gender audits are another effort to collect pay data and other information within workplaces. Employers in many countries such as Spain, Denmark, and Belgium are required—or volunteer—to evaluate their own practices through a gendered lens. This process is referred to as a "gender audit" and is often related to pay data reporting. Gender audits are a type of social audit—rather than a solely financial audit—that aims to determine the effectiveness of gender equality programming. In the United States, federal contractors are required to conduct internal audits to ensure nondiscriminatory practices have been followed. However, these requirements have not been extended to other businesses, and there are often issues with compliance and enforcement.

Consequences of failing to address gender wage gaps

Additionally, many of these employers are required to come up with a gender action plan if they indeed find a gender wage gap. If an employer in a country with this regulation fails to adhere to the rule, there can be consequences. In Denmark, for example, the Equal Pay Act 2014 fines businesses with more than 10 employees if they fail to comply with gender audits of their own workforce. Governments may also hold businesses accountable by requiring employers to post their pay data publicly, thereby creating an incentive for employers to analyze and correct their own pay practices before wage gaps are publicly revealed.

Countries with pay data collection efforts

Austria first required companies to publish pay data in 2011, starting with companies with 1,000 or more employees for 2010, then gradually applying the requirement to smaller firms each year. In 2012, Belgium enacted a law requiring businesses with more than 50 employees to publish their pay data every two years. Finland also started to publish pay analyses of government jobs in 2012, hoping to set an example for private sector employers. The United Kingdom followed suit in 2015 when former Prime Minister David Cameron mandated that, by 2016, firms with more than 250 employees would have to publish their wage gap between mean and median male and female earnings annually. These large firms will be required to publish data on their websites. The gender bonus gap will also be calculated and published using mean bonuses of employees who receive bonuses. The data will be publicly available on businesses’ websites and will provide the number of men and women in each of their salary quartiles. In early 2016, however, the mandate’s implementation was delayed until 2018, and if the United Kingdom indeed leaves the European Union, they may need to renegotiate many laws and policies pertaining to families’ economic security—including paid leave, paid sick days, pregnancy discrimination rights, and equal pay—that were dictated by their membership.
Equal pay for work of equal value

Some countries have sought to address the issue of comparable worth with legislation that requires work of equal value—not just the same exact position—to receive equal pay. For example, the Canadian Human Rights Act states that creating or maintaining differences in wages between male and female employees who work in the same establishment and perform work of equal value is discriminatory. The Equal Wages Guidelines set forth guidance on the equal pay provisions in the act, outlining the four factors used to assess the value of work: skill, effort, responsibility, and working conditions. Additionally, the guidelines provide information to help determine whether different jobs are part of the same establishment, provide a scale to determine whether an occupation is female- or male-dominated, and provide guidance on whether there are reasonable factors that may justify wage differences.

Some Canadian provinces have gone further by enacting policies to proactively enforce pay equity rather than the standard complaint-based approach. Ontario has one of the most progressive policies in Canada and in the world, requiring both public and private sector employers to have strategies in place to address pay equity. Although a pay gap still exists in Ontario and there remain some challenges related to enforcement funding, the policy has resulted in pay increases for thousands of women.

Examples of equal pay for equal value policies in the United States

Comparable-worth policies are not unfamiliar in the United States. In the 1970s and 1980s, there was a push among U.S. state legislatures to enact comparable-worth laws. Minnesota was the first state to adopt a law for its public sector workers in 1984, and by 1989, 20 states had made similar comparable-worth wage adjustments in their public workforces. The result was that they eliminated nearly 20 percent of the gap, with five states reducing the gap by 25 to 33 percent. Today, some states still have comparable-worth laws for public employees on the books, and recently, California and Massachusetts passed laws to require equal pay for comparable or “substantially similar” work in the public and private sector. Notably, Minnesota requires local governments to reassess pay equity every three years. This has effectively helped the state enforce compliance on an ongoing basis.

Caregiver credits

Many countries have taken steps to recognize the value of caregiving outside the formal labor force. Caregiver credits are pension credits provided to individuals who spent time out of the workforce caring for a child or other relative and thus may have lower retirement funds due to fewer years in the workforce and lower lifetime average earnings.
Starting in the 1970s, higher-income countries such as Sweden, Germany, Japan, France, and Norway began to adopt caregiver credit programs. Now, caregiver credits are used in nearly all public pension systems in the European Union as a way to bolster retirement security for women and other caregivers who have taken time out of the workforce. There have been proposals to introduce caregiver credits in the United States through the Social Security system as well. Most recently, Sen. Chris Murphy (D-CT) reintroduced the Social Security Caregiver Credit Act of 2016, but it died in Congress.

Addressing wage discrimination proactively

Rather than solely relying on a complaints-based system, some countries have decided to implement proactive solutions that prevent discrimination from happening in the first place. Since 2001, France and Sweden have mandated that employers review their pay practices and draw up an annual plan for pay practices during the following year. More recently, in February 2016, the Canadian Parliament adopted a motion that sought to prevent wage discrimination, calling for the government to implement a proactive pay equity law within 12–18 months rather than continue to rely on a complaints-based system.

Bolstering damages

Although implementing a proactive approach to pay discrimination is important, some countries have simultaneously bolstered damages for people who have suffered wage discrimination. One example of such a meaningful increase is Israel’s 2014 amendment to the Equal Pay Law. The amendment ensures that damages are paid to women not only for their personal experience with wage discrimination but also for the existence of wage discrimination in their workplace generally. Moreover, in Cyprus, Iceland, Lithuania, and Romania, additional compensation is awarded to victims of pay discrimination for moral damages. Increasing damages meaningfully for victims may help deter employers from using unfair pay practices.

Gender-responsive budgeting

At the United Nations’ 1995 Fourth World Conference on Women in Beijing, gender-responsive budgeting became part of the platform for action, explicitly encouraging countries to incorporate working women’s needs and interests into their budgets. This process has also been referred to as gender budgeting, gender mainstreaming, or gender-sensitive budgeting.
The first example of this policy came prior to Beijing, when Australia implemented gender-responsive budgeting in 1983. The major product of the Australian effort is an annual government report—the Women’s Budget Statement—that assesses the impact of the national budget on women. The Women’s Budget Statement divides expenditures into three categories: gender-specific expenditures, equal-opportunity expenditures for civil servants, and gender expenditures considered in terms of their gender impact. Although the annual report is globally innovative, critics point out that it is biased toward emphasizing government successes, and they highlight the need for both government and outside civil groups to participate in gender-responsive budgeting for it to be successful. While it is not a perfect solution, the broader point is that it can be helpful for governments to show their commitment to focusing on gender equality within their budgets.

Progress and effectiveness of gender budgeting

Since 1983, more than 60 other countries have begun projects to integrate gender into national budgets. These countries include nations from all regions and all development levels, such as Croatia, Bolivia, Egypt, India, Belize, Thailand, Zimbabwe, Nigeria, Barbados, and Afghanistan. San Francisco even passed its own gender budgeting ordinance in 1998, but the United States has yet to commence such a project on a federal scale.

Research on the impact of gender-responsive budgeting on gender outcomes in developing countries has yielded mixed results, but no results have been found to be harmful to women’s equality overall. In OECD countries where gender-responsive budgeting has largely been implemented in recent decades, the wage gap, on average, decreased from 2000 to 2013.

Convention on the elimination of all forms of discrimination against women

Forty years after the U.N. General Assembly’s adoption of the Convention on the Elimination of All Forms of Discrimination against Women, known as CEDAW, 185 of 191 U.N. member countries have signed on and ratified the treaty, cementing their commitment to economic, social, political, cultural, and civil gender equality. The United States is one of only six U.N. member countries that has not signed on and ratified CEDAW. It is important to note that the ratification of international gender equity conventions is also negatively correlated to the gender wage gap.
Other novel innovations

Logib

Companies with at least 50 employees in Switzerland, Germany, Luxembourg, and Liechtenstein have access to an online program called Logib that allows employers to review their own pay practices and uncover possible gender wage gaps.55 The German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth found that their version of the software has aided employers in finding pay gaps that occur because of the underrepresentation of women in higher-paying jobs and the lack of part-time, higher-paying jobs.56

Equality delegates

In Luxembourg, employers with 15 or more workers must have an equality delegate on staff whose function is to oversee and improve upon gender equality in the workplace.57 Larger companies with at least 150 workers must also create a joint committee between employer and employee representatives. The delegate must be informed of economic progress by the joint committee once a month and three times annually in workplaces without joint committees.58

Collective agreement

Considering gender in collective bargaining agreements is quite common across countries, particularly in the European Union. In France, it is required that businesses with more than 50 employees must negotiate on gender equality and pay equity. Additionally, in 2006, France added that solutions to diminish the gender wage gap must be discussed annually.59

The United States was once a leader in federal wage discrimination prevention efforts

On the federal level, U.S. policymakers have taken important steps to promote equal pay. The Equal Pay Act and Title VII of the Civil Rights Act have worked together for more than half a century to prohibit pay discrimination on the basis of sex and enhance victims’ abilities to bring lawsuits. More recently, the Obama administration undertook several executive actions to address wage discrimination and implement work-life supports.60 Additionally, many states and localities—including California,
New York City, Boston, Philadelphia, Massachusetts, and Maryland, among many others—have passed and implemented laws that go beyond federal protections, such as bans on employers asking about applicants’ salary histories.\textsuperscript{61}

While these laws lay a foundation for equal pay protections, there is still much progress to be made. A patchwork of policies across states and cities is helpful but ultimately insufficient, as many women and families fall through the cracks. Although the Obama administration advanced executive actions to help diminish the gap, many gaps still exist within older federal protections. To finally eliminate the gender wage gap, we need a robust federal policy approach that reflects the realities of today’s needs.

What can U.S. policymakers do about it?

Unfortunately, results have not come fast enough for working women in the United States who are not covered by progressive state and local policies. U.S. working families need a federal policy solution that combines combatting wage discrimination and implementing economic supports, reinforcing the need to do both well.\textsuperscript{62}

Among bills on the table that would help fill in the gaps, the Paycheck Fairness Act—introduced by Rep. Rosa DeLauro (D-CT) and Sen. Barbara Mikulski (D-MD) in 2015 and in every Congress since 1997, falling just two votes shy of passing in 2009—and the Pay Equity for All Act of 2016—introduced by Rep. Eleanor Holmes Norton (D-DC) in 2016—would bolster wage protections for workers.\textsuperscript{63} The Healthy Families Act, introduced by DeLauro and Sen. Patty Murray (D-WA) in 2015, and the Family and Medical Insurance Leave Act, introduced by Sen. Kirsten Gillibrand (D-NY) in February 2017 and currently pending in the 115th Congress, would allow workers to take paid time off to recover from short- and long-term illnesses and care for loved ones.\textsuperscript{64} Although these pieces of legislation could work together to close the gender wage gap in the United States, they have not been passed by Congress.

Conclusion

In March 2017, Iceland took its efforts to close the gender wage gap even further: It became the first country in the world to introduce legislation requiring companies to prove that they pay men and women equally. By 2022, employers with more than 25 employees would have to undergo audits to certify that they are complying with equal pay laws. Proponents of the legislation hope that by strengthening enforcement of existing laws, the new legislation will close the gap in five years.\textsuperscript{65}
Like Iceland, the countries highlighted in this brief—among many others—have implemented both work-life supports and wage discrimination protections that are critical to closing the gender wage gap. This means that the United States is now falling behind not just on economic policies that support working families but also on solutions that directly target wage discrimination. As with other policy areas, it is important that U.S. lawmakers consider other nations’ comprehensive innovations, learn lessons from how they unfold, and implement robust solutions for working families at home.

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Endnotes


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14 Chamberlain, “Demystifying the Gender Pay Gap.”


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27 Rubery and Koukidaki, “Closing the gender pay gap.”


38 Covent, “The Radical Movement To Close The Gender Wage Gap That You’ve Never Heard Of.”


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