# Gender pay gap reporting and equal pay audits

## LESSONS LEARNED ACROSS OECD COUNTRIES

June 2023 http://oe.cd/pay-transparency-2023

## Key findings

Many governments are putting pay transparency policies in place to tackle gender wage gaps. The OECD report ***Reporting Gender Pay Gaps in OECD Countries: Guidance for Pay Transparency Implementation, Monitoring and Reform*** presents an in-depth assessment of a commonly mandated pay transparency measure for private sector firms – gender pay gap reporting (OECD, 2023[1]). Over half of OECD national governments (21 of 38) now require private sector employers to report gender-disaggregated pay information to stakeholders like workers, their representatives, the government, and/or the public. In almost half of these countries (10 of 21), pay reporting requirements are embedded within more comprehensive, mandatory, equal pay auditing processes. The report offers a cross-national stocktaking of policy approaches, identifies good practices and areas for improvement, and presents a checklist of relevant policy considerations for countries interested in implementing, monitoring or reforming their pay transparency regime.

**Policy takeaways for governments**:

- Ensure that the firms covered by pay gap reporting rules – typically based on company headcounts – cover a sufficient number of workers in the country. Many countries exclude small and medium-sized firms from reporting requirements and carve out temporary and part-time workers from company headcounts. This means more precarious workers are often missed.
- Require gender-disaggregated pay statistics at aggregate firm-level and for key subgroups, e.g. by job category or seniority. These subgroup analyses provide a better understanding of the drivers of the pay gap and how to address them.
- Ease the administrative burden of pay gap reporting by providing free and accessible reporting tools to employers. These could include online guidance, software for firms to calculate gaps themselves, software for firms to submit data to the government, or the use of pre-existing data enabling the government to calculate wage statistics *for* firms.
- Improve the enforcement of pay gap reporting rules – including sanctions – to ensure that the mandated companies comply with pay reporting rules. Very few countries have systematic compliance mechanisms in place, and sanctions are generally weak.
- Consider using equal pay auditing processes, similar to the concept of “joint pay assessments” in EU legislation, combined with pay gap reporting. Equal pay audits assess gaps more closely and recommend targeted action to address inequalities.
- Evaluate the effects of pay gap reporting rules more frequently and rigorously. While pay gap reporting measures are increasingly common, only a handful of national programmes have been analysed quantitatively to assess effects on the gender wage gap. Regular evaluations of programme functioning, e.g. compliance and awareness, should also be increased across countries.
- Raise awareness of pay gap reporting rules and results among firms, employees, their representatives, and the public. Good communication around pay reporting helps effectiveness.
- Embed gender pay gap reporting in broader efforts to end gender inequalities in the labour market, society and at home.

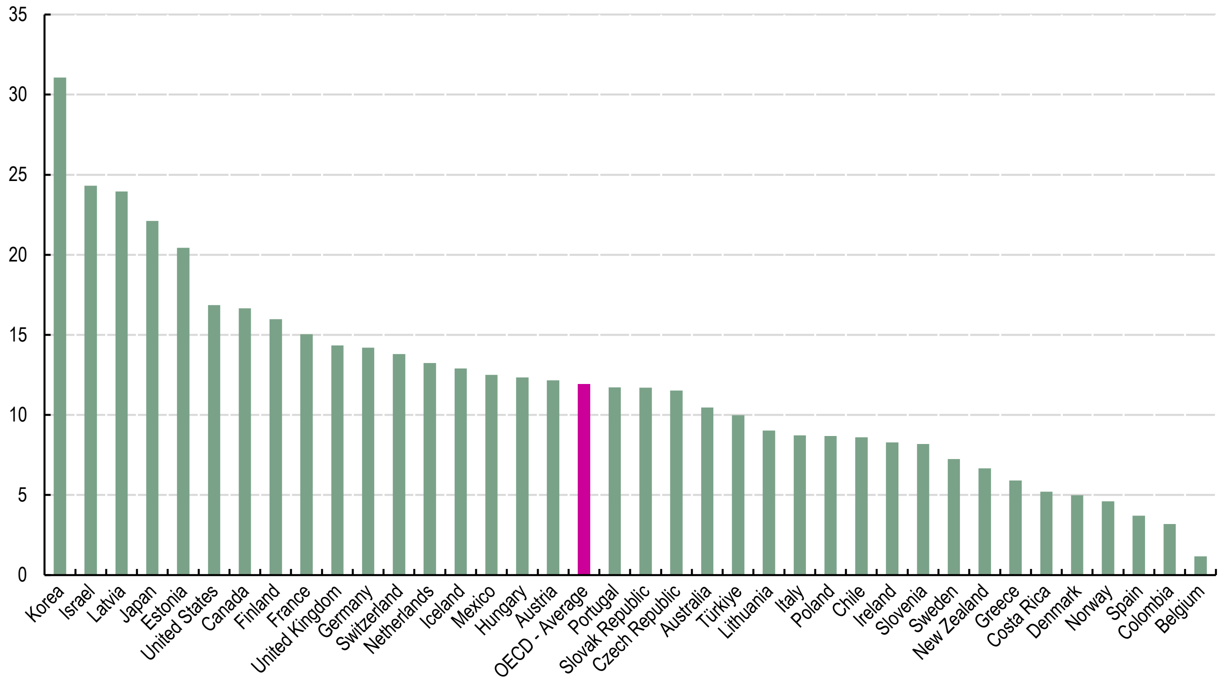
## Women still earn less than men across OECD countries

Across OECD countries, on average, the unadjusted **gender pay gap stands at 11.9%** – meaning that the median full-time working woman earns about 88 cents to every dollar or euro earned by the median full-time working man.[1] This gap varies across countries (Figure 1.1).

The gender gap widens further when looking at the income *all* working women and men – not only full-time workers – take home at the end of the year, as women tend to spend fewer hours in paid work than men. Women are overrepresented in part-time jobs, and men are overrepresented in jobs with long work hours, throughout the OECD (OECD, 2019[2]). This mechanically reduces pay tied to work hours and contributes to gender inequalities in complementary and variable components of pay, as well.

### Figure 1.1. Across the OECD, full-time working women earn 12% less than full-time working men

Gender pay gap at the median, 2021 or latest year available




Note: The gender wage gap is unadjusted and calculated as the difference between the median earnings of men and of women relative to the median earnings of men. Estimates of earnings used in the calculations refer to gross earnings of full-time wage and salary workers. However, this definition may slightly vary from one country to another; see the OECD Employment Database (http://www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm) and individual country metadata data available in OECD.Stat (http://stats.oecd.org/index.aspx?queryid=64160). Data for Chile, Denmark, Finland, Germany, Hungary, Italy, Poland, Portugal, and Switzerland refer to 2020. Data for Belgium, Greece and Israel refer to 2019. Data for Iceland, Ireland, Slovenia and Türkiye refer to 2018.
Source: (OECD, 2023[3]), Gender wage gap (indicator), https://doi.org/10.1787/7cee77aa-en (Accessed on 2 June 2023).

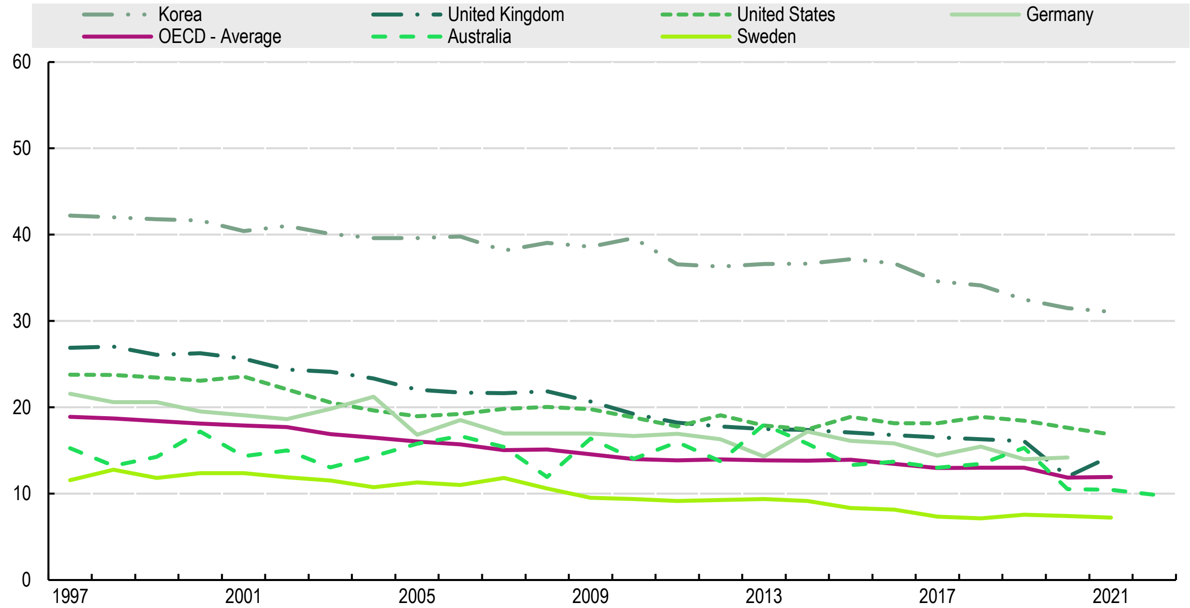
The OECD average gender pay gap has gradually declined from nearly 19% to about 12% over the past 25 years (Figure 1.2). Yet progress has plateaued in many countries. These national-level estimates of gender pay gaps also underestimate the extent of inequalities across different groups: there are

[1] See Box 1.1 in (OECD, 2023[1]) for a discussion of the unadjusted and adjusted gender pay gaps.

compounding, intersecting forms of discrimination based on different factors like socio-economic status, race/ethnicity, gender identity and sexual orientation.[2]

## Figure 1.2. Progress in closing the gender wage gap has been slow

Gender wage gap for full-time dependent employees, selected countries, 1997 through latest available year




Note: The gender wage gap here is unadjusted and is calculated as the difference between the median earnings of men and of women relative to the median earnings of men. Estimates of earnings used in the calculations refer to gross earnings of full-time wage and salary workers. However, this definition may slightly vary from one country to another; see the OECD Employment Database (http://www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm) and the individual country metadata data available in OECD.Stat (http://stats.oecd.org/index.aspx?queryid=64160) for more detail. Trend lines include the latest data available: 2022 for Australia, 2021 for Korea, Sweden, the United Kingdom, the United States, and, and 2020 for Germany. The OECD average presents the unweighted average of the latest data across all OECD countries.
Source: (OECD, 2023[3]), Gender wage gap (indicator), https://doi.org/10.1787/7cee77aa-en (Accessed on 2 June 2023).

**Many factors drive the gender pay gap**. One issue is horizontal segregation, meaning that women and men tend to be concentrated in different sectors or jobs. Women tend to be overrepresented in fields that pay relatively lower wages, such as caregiving jobs, and underrepresented in fields with relatively higher wages, such as engineering jobs. Vertical segregation, whereby men and women are concentrated in different job *levels*, also affects women's pay (OECD, 2022[4]). Worldwide, women are underrepresented in management roles and on boards (OECD (2023[5]; 2021[6]; 2021[7])).

Enormous inequality in the distribution of unpaid work also negatively affects women's earnings (OECD, 2021[6]). Across countries, women do more cooking, cleaning, and caregiving (for children and other dependent family members) than men. Time is a finite resource, and these unpaid obligations limit both the time women can spend in paid work and their possibilities to advance in the paid labour market and progress to senior levels (OECD (2021[8]; 2017[9]; 2019[2])). Related to this, the gender wage gap is relatively higher in jobs with inflexible work hours (Goldin, 2014[10]).

[2] Box 1.1 in (OECD, 2023[1]) elaborates on the measurement of the gender pay gap and presents pay gaps across the income distribution.

Discrimination, although difficult to measure, also drives down women's pay. This has been established in randomised experiments in which prospective employers, on average, treat fictitious, otherwise-identical job candidates differently due to their gender (Blau and Kahn, 2016[11]), with a recent analysis suggesting this discrimination affirms existing gender segregation in occupations (Galos and Coppock, 2023[12]).

Governments have implemented a wide array of public policies in efforts to close the gender wage gap, including improving girls' and women's equal access to education; passing anti-discrimination and equal pay laws; and providing work-life balance supports, like well-designed paid parental leave[3], early childhood education, and care for the children of working parents (OECD, 2022[13]). Yet even the most comprehensive policy approaches have not been enough to close the gender wage gap anywhere in the OECD (OECD, 2021[7]).

Many countries have therefore begun trialling pay transparency measures as part of a renewed effort to close the gender pay gap. The OECD first took stock of the state of pay transparency across countries in the 2021 report *Pay Transparency Tools to Close the Gender Wage Gap* (OECD, 2021[7]), which overviewed governments' use of gender pay gap reporting by firms, equal pay audits, job classification schemes, and requirements to discuss the pay gap in collective bargaining.

The report summarised here, *Reporting Gender Pay Gaps in OECD countries: Guidance for Pay Transparency Implementation, Monitoring and Reform* (OECD, 2023[1]), digs deep on a public policy now used in over half of OECD countries: gender pay gap reporting requirements for private sector firms.

21 out of 38 OECD countries (55%) now require private sector firms to regularly report their company's gender pay gap to stakeholders like workers, workers' representatives, the government and the public. Many of these reporting schemes are embedded in equal pay audit systems, in which employers are required to determine the causes of pay gaps and develop strategies to address them.

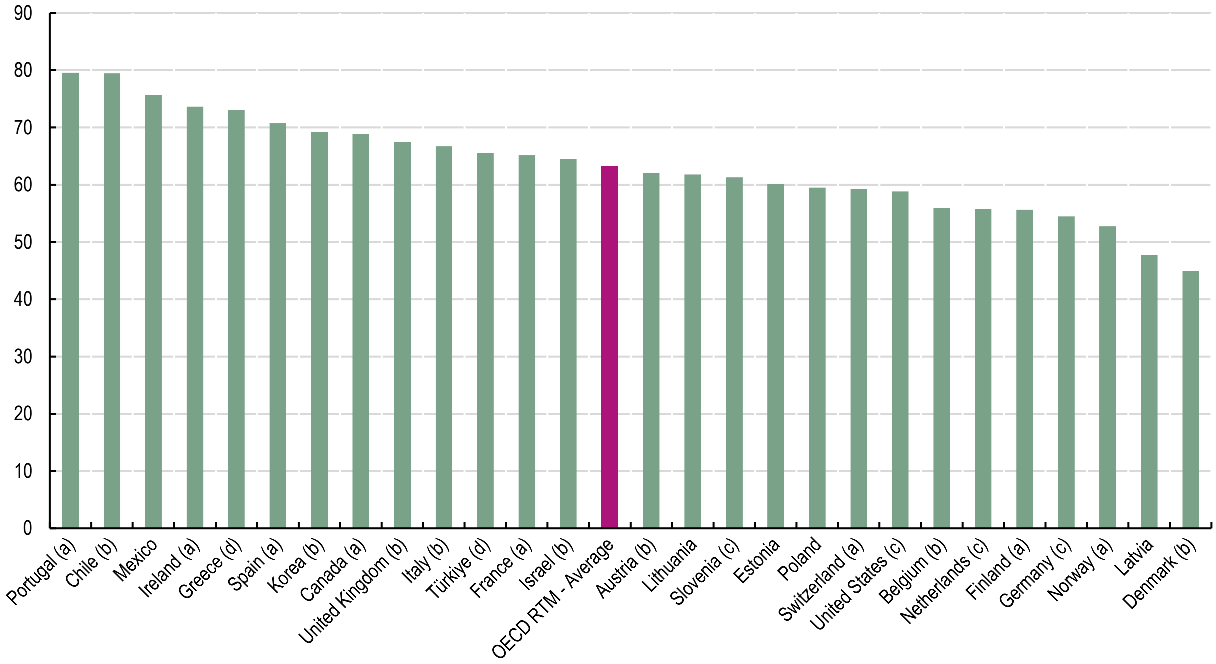
**The motivation for gender pay gap reporting is straightforward**, and as a policy measure it is intuitive. By analysing, presenting, and publicising pay gaps between women and men, proponents argue, different stakeholders (including employers) should become more aware of the gender pay gap and more motivated to close it. Pay gap reporting, if sufficiently disaggregated by job category, can also offer important information to individual workers who feel they may be unfairly underpaid. Armed with information, these workers can try to negotiate for better pay or leave for a different job. This logic may be a reason why pay transparency is so broadly supported (Figure 1.3): 64% of respondents in the 27-country OECD Risks that Matter Survey say that they support pay transparency to reduce wage gaps.

**Yet there are limits to what pay transparency can do** (Box 1.1). The burden of rectifying instances of unfair (potentially discriminatory) pay still largely falls on the individual, and this is a significant burden in terms of time, finances, and effort. It can also be a mentally and emotionally taxing process.

[3] Measures should include incentives for *equal sharing* of leave across mothers and fathers (Fluchtmann, 2023[17]).

## Figure 1.3. Across 27 OECD countries, 64% of respondents support the use of pay transparency

Share of respondents who somewhat or fully support increasing pay transparency to reduce wage gaps, 2022




Note: Respondents were asked to what extent they support or oppose increasing pay transparency to reduce wage gaps, foster diversity and fight discrimination. Response options were "totally oppose", "somewhat oppose", "neutral", "somewhat support", "totally support", and "can't choose". Representative sample of 1 000 respondents per country. Countries opted in to participate in the survey.
(a). These countries have gender pay gap reporting and equal pay auditing at the national level.
(b). These countries have gender pay gap reporting at the national level.
(c). These countries have non-pay gender gap reporting at the national level.
(d). These countries have ad hoc equal pay audits at the national level.
Source: OECD Risks that Matter Survey 2022, http://oe.cd/rtm.

## Box 1.1. What pay transparency can do – and what it can't

### The limitations of wage gap reporting

Pay transparency is a simple yet potentially powerful tool for closing gender wage gaps. The disclosure of firms' pay structures and pay gaps can empower workers to fight against individual or systemic pay inequities. Pay transparency can also raise broader stakeholder awareness of the presence, causes, and consequences of the gender wage gap – which can help to generate pressure for change and encourage employers to proactively address inequities in their organisations.

However, it is important to acknowledge that the onus of identifying, raising, and rectifying pay inequity still largely rests on individual workers – and this is a high burden (see Box 1.3 in (OECD, 2023[1])). Moreover, pay transparency cannot guarantee that women's wage gains are not compensated for elsewhere, such as in lower men's wages (OECD, 2023[1]).

Perhaps most importantly, pay transparency cannot compensate for the choices and constraints that have accumulated in the form of lower wages over the life course. Women face a range of barriers and challenges throughout their careers that can limit their earning potential. While pay transparency can help to identify and address some of these issues, it is not a panacea for the complex and multiple challenges that underlie gender wage gaps.

**Anticipating the consequences of pay gap reporting in the workplace**

While pay transparency can help deter workplace discrimination, it can also cause dissatisfaction and turnover in a workplace if pay discrepancies are not properly justified. There can be resentment among employees who believe they are not being compensated fairly, and employers may exhibit centrality bias when subjectively determining employee performance, e.g. under-rewarding high performers. Constant monitoring and evaluation can cause anxiety and stress on both sides.

So-called "horizontal" pay transparency, i.e. policies that reveal pay gaps between co-workers, has been found to affect bargaining over pay (with job applicants negotiating for higher pay) and can affect workers' psychological well-being, with lesser-paid workers potentially feeling unhappy and working less (Cullen, 2023[14]). At the same time, evidence on pay transparency policies suggest that "horizontal" pay transparency policies in real-world labour markets (such as reporting gender wage gap statistics or expected wages/wage ranges in job postings), can lead to more equal pay, often by lowering average wages (Cullen, 2023[14]; OECD, 2023[1]). This flattening of pay across workers tends to reduce compensation for good performance, too (Obloj and Zenger, 2022[15]). This is a key trade-off policy makers face when implementing pay transparency.

"Non-horizontal" pay transparency can help address information asymmetries in the labour market (Cullen, 2023[14]). For instance, "vertical" transparency, i.e. policies that increase workers' understanding about what they could earn if they were to be promoted, can increase effort and productivity in meritocratic environments. "Cross-firm" pay transparency can inform prospective candidates about higher paying employers and lead to fairer negotiations with more information on the part of the applicant. Such policies shine light outward, away from co-workers in comparable roles under the same employer, towards "vertical" and "cross-firm" pay differences (Cullen, 2023[14]).

## Over half of OECD countries now require private sector firms to report their gender pay gap

**Over half of OECD countries' (21 of 38) national governments[4] now require private sector employers to report pre-defined gender-disaggregated pay information** to stakeholders like workers, workers' representatives, the government, and/or the public (Figure 1.4).

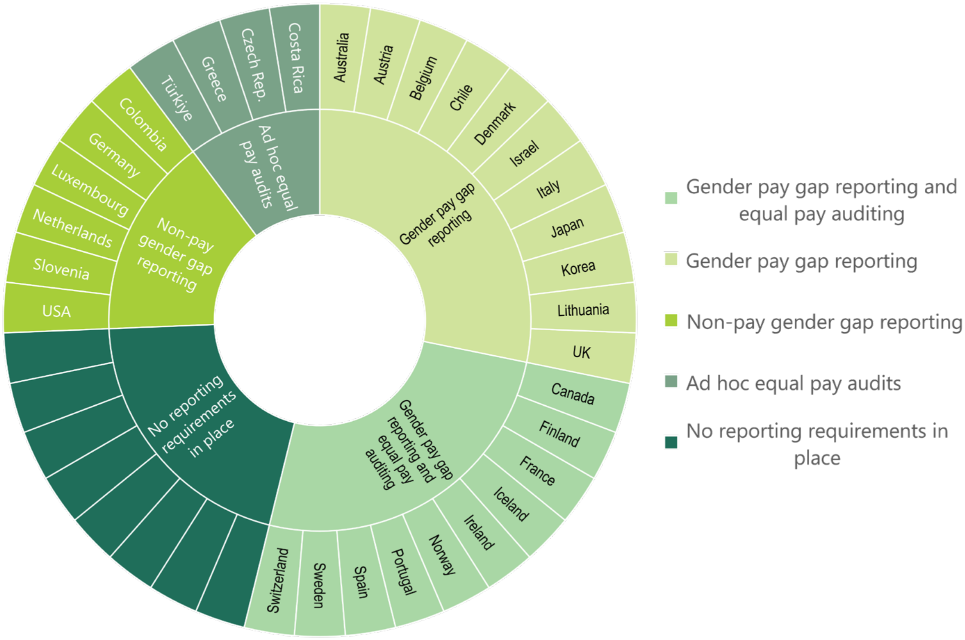
While a national requirement to report pay gaps has been in place for several decades in certain countries like Finland and Sweden, most countries' reporting regulations are relatively recent and have been in place for fewer than ten years. Countries with private sector pay reporting requirements at the national level include Australia, Austria, Belgium, Canada,[5] Chile,[6] Denmark, Finland, France, Iceland, Ireland, Israel, Italy, Japan, Korea, Lithuania, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

[4] This report focuses on national-level policies. Some countries, such as the United States, have sub-national pay gap reporting rules for private sector firms.
[5] The pay reporting laws in Canada only apply to federally regulated private sector employers, federally regulated Crown corporations, and other federal organisations (under the Employment Equity Act) and to federally regulated private and public sector employers, parliamentary workplaces, and the Prime Minister's and ministers' offices (under the Pay Equity Act).
[6] The pay reporting law in Chile only applies to businesses under the supervision of the Financial Market Commission (*Comisión para el Mercado Financiero* (CMF)).

The same general principles of pay reporting hold across countries, but definitions of which firms must report – such as employee headcount thresholds and worker type – vary across countries, as do rules about the content required in reports.

### Figure 1.4. 55% of OECD countries require private sector firms to report gender pay gap statistics

Distribution of countries by the presence of national-level regulations requiring private sector pay reporting, pay auditing, or related measures, OECD countries, 2022




Note: Chart shows the distribution of national-level pay reporting measures across OECD countries. Ten countries in which companies meeting defined criteria (e.g. firm size) are required to carry out regular gender pay audits and report disaggregated pay gaps (see Chapter 4 of (OECD, 2023[1])) include: Canada (federally regulated employers), Finland, France, Iceland, Ireland, Norway, Portugal, Spain, Sweden and Switzerland. Eleven countries in which companies meeting defined criteria are required regularly to report gender-disaggregated pay information without a broader audit are: Australia, Austria, Belgium, Chile (the financial sector), Denmark, Israel, Italy, Japan, Korea, Lithuania and the United Kingdom. Countries in which all companies meeting defined criteria are required to report only gender-disaggregated data on workforce characteristics but not gender pay gap data are: Colombia, Germany, Luxembourg, the Netherlands, and the United States. Twelve other countries require the reporting of non-pay information either as part of pay gap reporting requirements or as part of another measure (see Chapter 3 of (OECD, 2023[1])). Countries in which an ad hoc selection of companies are required to undergo gender pay audits as part of a targeted labour inspection (non-exhaustive list) include Costa Rica, the Czech Republic, Greece, and Türkiye. Note that some countries have subnational gender pay gap reporting policies in place.
Source: OECD Gender Pay Transparency Questionnaire (GPTQ) 2022; (OECD, 2023[1]), *Reporting Gender Pay Gaps in OECD Countries: Guidance for Pay Transparency Implementation, Monitoring and Reform*, https://doi.org/10.1787/ea13aa68-en.

**In ten countries, pay reporting requirements are embedded within more comprehensive, mandatory, equal pay auditing processes** that apply to a pre-defined set of employers (defined in Box 1.2). This is similar to the concept of a joint pay assessment, language used in the EU Pay Transparency Directive. Countries with equal pay audits include Canada (under the Pay Equity Act), Finland, France, Iceland, Ireland, Norway, Portugal, Spain, Sweden, and Switzerland.

Equal pay audits require a more thorough analysis of highly detailed statistical information on pay and workforce characteristics across different categories of employees. Some countries also require employers to assess possible indirect discrimination. For instance, gender pay differences may be assessed not only across jobs that are equal, but also across jobs considered of equal value (see Box 1.2). These equal pay auditing processes often require follow-up actions by employers to address gender gaps.

Interestingly, countries including Colombia, Germany, Luxembourg, the Netherlands, and the United States only require employers to **report gender-disaggregated information *other* than pay**. These data reporting requirements most commonly include reporting gender gaps in employee headcounts and the share of top positions held by women. At the same time, gender-disaggregated non-pay reporting rules now complement pay reporting requirements in many countries.

A few countries use only an ad hoc approach to pay gap reporting that covers a relatively small share of employers. For example, in countries including Costa Rica, the Czech Republic, Greece, and Türkiye, companies targeted for labour inspections are also sometimes required to undergo gender pay gap reporting. These countries do not have more systematic, mandatory pay gap reporting rules.

Several EU countries have work in progress to introduce new pay transparency rules or expand the scope of existing measures to align with the new EU Pay Transparency Directive.

## Pay transparency helps – if design and implementation are done right

Despite the growing prevalence of pay gap reporting regimes, only a few national systems have been evaluated quantitatively by academic or government researchers. Yet pay reporting and equal pay audit requirements are ripe for rigorous evaluation. Pay transparency obligations typically affect firms of specific sizes who are targeted at different points in time, which allows for relatively straightforward quasi-experimental policy evaluations. Making use of the fact that policy "treatment" and "control" groups of firms are assigned almost at random – some employers barely pass the size threshold for reporting requirements (treatment), while others barely meet it (control) – it is relatively simple to compare outcomes across these otherwise highly similar groups. (It is of course important to do robustness checks in such research, such as confirming that firms do not "sort" around the policy treatment threshold.)

Quasi-experimental research methods have been used to measure the effectiveness of national-level pay gap reporting rules in only a handful of countries: Austria, Canada, Denmark, Sweden, Switzerland, and the United Kingdom.[7] Although almost all research has concentrated on pay reporting measures, it seems likely that equal pay auditing systems – with more comprehensive analysis and follow-up measures – would have a greater impact on closing the gender wage gap than basic pay reporting.

National-level pay gap reporting rules do not have a consistently positive effect on closing gender pay gaps across *all* countries with these systems. This suggests that policy design and implementation play an important role in the effectiveness of the system.

**Indeed, in countries where national pay gap reporting rules seem to be helping to reduce the gender pay gap – Denmark, France, Switzerland and the United Kingdom – there is strong third-party involvement.** In other words, an actor independent of the employer, employees, and employee representatives is closely involved in the pay reporting process.

In Denmark, the Ministry of Employment commissions the *National Statistics Office* (NSO) to calculate the gap for employers using pre-existing data. France has a sophisticated pay reporting system: the *government provides calculators and online forms* for submitting data, and the *French Labour Inspectorate* is mobilised to carry out inspections and financial penalties for non-compliance. In Switzerland, the government provides a free calculator tool for different sized firms – Logib – and requires an *independent*

[7] For a summary of these studies, please see (OECD, 2023[1]). France has also carried out extensive quantitative evaluations of its pay transparency regime, though these are more descriptive and process-oriented in nature.

*audit* of firms' pay gap reporting.[8] In the United Kingdom, gender pay gaps are reported to a government agency and *shared with the public*, which provides visibility and informal oversight (OECD, 2023[1]).[9]

## Policy takeaways for pay gap reporting implementation, monitoring and reform

The following policy lessons – drawn from diverse national experiences with pay transparency – are elaborated further in (OECD, 2023[1]).

### *Improve worker coverage in pay reporting regimes*

Most OECD countries exempt small employers from pay gap reporting rules. This means a large share of workers face challenges to accessing equal pay information. This limits their ability to argue for fair pay for their work. Spain is the only country in which the requirement to collect gender-disaggregated wage data has no minimum size threshold. Otherwise, minimum size thresholds for reporting range from ten employees (Canada and Sweden[10]) to more than 518 employees (Israel).

Additionally, pay reporting rules typically require reporting the gender pay differentials of the regular and/or permanent workforce. While this means that a large share of a firm's workforce is usually covered by reporting rules, workers in less stable working conditions – such as contractors, consultants, and/or temporary workers – may be excluded. Part-time employees are included in the threshold calculations in most countries, although some countries assign part-time workers a smaller weight.

### *Improve the quality of gender-disaggregated pay data analysed and reported*

Reporting average or median pay statistics disaggregated by gender at the *aggregate* level in a firm has benefits. It helps to reduce administrative burden on firms; it encourages businesses to consider how horizontal and vertical segregation contributes to the overall firm wage gap; and it helps to increase awareness of pay equity with one single, tangible statistic. Yet producing *only* a single wage gap statistic per firm does little to help stakeholders understand the causes of the gender gap.

To better understand drivers of the wage gap, **firms should be required to assess gender-disaggregated pay outcomes at both the aggregate firm level *and* by key subgroups.** In many countries these subgroups include job category and level of seniority, in an effort to produce gender pay gap comparisons across more comparable workers.

To note, this strategy does not address horizontal gender segregation and systematically lower pay in typically feminised professions. A pay gap reporting assessment of long-term care (LTC) workers in a single company, for example, may find little gender wage gap within this group – but these LTC workers may still be systematically underpaid for their skills and the value of their work.

For this reason, **when job classification systems are used, it is important that job classifications be "gender-sensitive" or "gender-neutral,"** as is the case in at least ten OECD countries. This is necessary to avoid embedding systematically lower pay in traditionally women's professions. This gender sensitivity in job classification is also emphasised in the new EU Pay Transparency Directive.

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[8] This independent audit should be carried out by a government-certified auditor, or, alternatively, can be carried out by social partners or organisations promoting gender equality.

[9] In Denmark, see Statistics Denmark (https://www.dst.dk/en); for France, see the EgaPro portal at https://egapro.travail.gouv.fr/; for the United Kingdom, see https://gender-pay-gap.service.gov.uk/.

[10] Swedish reporting rules require all employers, regardless of size, to conduct pay surveys. However, only employers with more than ten employees need to document their work.

Countries should also consider disaggregating pay statistics by race/ethnicity, as is done in Canada and New Zealand, to better capture intersecting disadvantage for minority women.

### *Facilitate employers' reporting through free digital tools*

For pay reporting systems to work properly, employers must clearly understand the information they need to report. While some countries offer very little guidance about what statistical analysis to perform and how to disseminate results, **an increasing number of governments in the OECD provide employers with digital tools** such as gender pay gap calculators (to calculate their firm's gap themselves) or reporting portals for submitting pay data to the government.

**The use of pre-existing government data has appeared as a new frontier in pay transparency**, too. This allows governments to calculate companies' gender pay gaps with little or no additional administrative burden on employers. Denmark (which uses data already collected in its national Structure of Earnings Survey) and Lithuania (which uses data collected as part of the social security system) offer noteworthy examples.

### *Monitoring and enforcement of pay reporting should be strengthened*

Most OECD countries have some degree of monitoring compliance of pay gap reporting rules, although the intensity of monitoring and enforcement differs widely across countries. In general, countries that embed pay reporting within equal pay auditing systems – such as France – tend to have more comprehensive methods of monitoring compliance.

**Financial penalties are commonly listed as a tool to enforce compliance, but potential fine amounts are usually small and fines are rarely issued**. Other tools for compliance include more commonly used "name and shame" procedures – where companies face reputational risk for poor performance on gender equality – and equal pay certificates.

### *Mandate equal pay audits for a comprehensive assessment and response*

National equal pay audit regimes, targeting the private sector in ten countries (Figure 1.4), have more intensive requirements than simple pay gap reporting. Audits typically include an analysis of the proportion of women and men in each category of employee or position, an analysis of the job evaluation and classification system used, and detailed information on pay and pay differentials on grounds of gender – and often mandate follow-up action. Equal pay audits are comparable to the concept of "joint pay assessments" in the EU pay transparency legislation.

Follow-up action can apply to all relevant employers or only those where analysis reveals gender differences in remuneration. These follow-ups are sometimes referred to as gender equality "action plans". These include an initial assessment of the situation (i.e. the process and evaluation of results of pay gap reporting), a justification of any differences found, and/or a discussion or implementation of active measures to combat differences.

### *Conduct rigorous evaluations of pay reporting processes and wage gap outcomes*

The effects of national-level pay reporting rules on changes in the gender wage gap have been causally evaluated in only a handful of countries (OECD, 2023[1]), usually by academic researchers. Yet these kinds of policy evaluations are often "low hanging fruit," from an empirical perspective. Many pay reporting programmes have been introduced with discontinuities, e.g. by firm size or over time, that make for ideal quasi-experimental evaluations of effects on wages. Countries should additionally continue to monitor pay gap reporting *processes* to ensure that various stakeholders are participating as they should.

### *Raise awareness of pay reporting rules and results through clearer communication*

In general, pay transparency legislation across OECD countries would benefit **from increased transparency – both in instructions to employers *and* in communication from employers to stakeholders**. Better awareness of pay transparency rules and results could improve the effectiveness of pay gap reporting regimes in actually closing gaps.

Governments' pay gap reporting rules are rarely communicated directly to employers and are instead simply published on government websites. Employer awareness of pay gap reporting rules is not commonly measured.

The communication of pay gap results to stakeholders like workers, their representatives and the public is not always straightforward, either. Not all relevant actors are automatically informed about the results of pay gap reporting, and instructions on how employers should share results with employees should be more explicit in most countries. Transparency to the public is a reality in only about half of OECD countries with pay reporting rules – though even in these cases, the public usually cannot access disaggregated pay gap results.

### *Embed pay transparency within broader efforts to improve gender equality*

By itself, pay transparency cannot close the gender wage gap. **In many ways, pay transparency comes too late – it attempts to address inequalities that have built up over the life course,** after years of gendered socialisation, educational choices, segregation into lower-paying fields, and career interruptions.

Gender pay gap reporting, and pay transparency in general, must therefore be embedded within a holistic, systematic, life-course approach to promoting gender equality in society, labour markets, governance and public policy. This includes gender-equal access and encouragement to all levels and subjects of schooling, family and work-life balance supports like childcare and parental leave, efforts to improve the division of unpaid work, anti-discrimination legislation, improving women's access to leadership roles, and closing gender gaps in old age.

#### Box 1.2. Key terms and definitions

A **comparator**, in the context of equal pay litigation, refers to a worker whose salary is used as a reference for another person who is in a comparable working situation. Guidelines as to who qualifies as a comparator (and whether a comparator is necessary to prove pay discrimination) vary by country. A comparator may be real or hypothetical.

**Equal pay for work of equal value** implies that women and men should get equal pay if they do identical or similar jobs, and that they should also earn equal pay if they do completely different work that can be shown to be of equal value when based on "objective" criteria. These objective criteria tend to encompass job-related characteristics such as skills, effort, levels of responsibility, working conditions and qualifications. Many countries have attempted to clarify the use of the concept of "work of equal value" in national legislation.

An **equal pay audit** is a process conducted by an employer or external auditor that should include an analysis of the proportion of women and men in different positions, an analysis of the job evaluation and classification system used, and detailed information on pay and pay differentials on the basis of gender. An equal pay audit is more intensive than simple pay reporting. A pay audit should make an effort to analyse any gender pay gaps found, should attempt to identify the reasons behind these gaps, and could be used to help develop targeted actions on equal pay. An **equal pay audit** is comparable to a **joint pay assessment,** as proposed in recent EU pay transparency legislation.

**Horizontal segregation** refers to the concentration of women and men in different sectors and occupations. For example, women are typically overrepresented in childcare and men are typically overrepresented in engineering.

**Intersectionality**[1] is a term used to describe how social and political identities, such as race, gender, class, sexual orientation, and ability, intersect to create unique experiences of discrimination and privilege. The concept of intersectionality acknowledges that individuals can experience various forms of oppression and discrimination simultaneously, and that these experiences cannot be fully understood or addressed by considering only one aspect of their identity in isolation.

**Job classifications** are related to job evaluation process and commonly entail human resource personnel and/or social partners ranking each job within an organisation against objective criteria that relates to the required skills, effort, responsibilities, working conditions, education, and difficulty of a role, amongst other observable characteristics. Related to this, gender-neutral job classification systems refer to job classification systems that account for the gender predominance of a given job class and categorise work based on the same objective criteria for men and women.

**Gender-neutral or gender-sensitive job classification** systems refer to a framework for categorizing jobs that avoids historic gender bias and is based on objective criteria. The aim is to eliminate gendered assumptions and stereotypes about what type of work is suitable for men or women. These systems typically use a set of factors, such as skill level, responsibility, and working conditions, to determine the appropriate job classification.

The **OECD Gender Pay Transparency Questionnaire 2022** (**OECD GPTQ 2022**, presented in Annex 1 of (OECD, 2023[1]) is the reference questionnaire for the policies presented and discussed in this report.

**Pay reporting** refers to policies mandating that employers regularly report (including to employees, workers' representatives, social partners, a government body, and/or the public) gender pay gap statistics. Such statistics typically include the average or median remuneration of men and women at the firm level but are often more detailed and include breakdowns by groupings such as job category.

**Pay transparency** is an umbrella term referring to policy measures that attempt to share pay information in an effort to address gender pay gaps. Such measures may include mandating pay reporting, equal pay auditing, job classification systems, and publishing pay information in job vacancies.

**Vertical segregation** refers to the concentration of women and men at different levels of an organisational hierarchy, e.g. at different grades, levels of responsibility or positions.

1. This concept first originated with Crenshaw (1989[16]).
Source: (OECD, 2023[1]), *Reporting Gender Pay Gaps in OECD Countries: Guidance for Pay Transparency Implementation, Monitoring and Reform*, https://doi.org/10.1787/ea13aa68-en.

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