OECD Employment, Labour and Social Affairs Policy Briefs

Can pay transparency tools close the gender wage gap?

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Key findings from *Pay Transparency Tools to Close the Gender Wage Gap*

A range of public policies and societal, educational, and labour market transformations over generations have done little to close the gender wage gap around the world. Today, the wage gap between the median earnings of full-time working women and men stands at 13%, on average, across OECD countries.

To confront this inequality, many governments in OECD countries are implementing new pay transparency policies. Eighteen OECD countries mandate systematic, regular reporting by private sector firms on gender wage gaps. Within this group, nine have implemented more comprehensive equal pay auditing processes in the private sector.

These measures hold considerable allure. Pay transparency offers a relatively simple and intuitive tool both to identify and address the gender wage gap when it occurs in a workplace. These policies can function well in publicising gender wage gaps, but only with smart policy design and implementation.

This brief presents findings from the OECD report *Pay Transparency Tools to Close the Gender Wage Gap*, the first stocktaking of pay transparency measures across the 38 OECD countries (OECD, 2021[1]).

Countries that do not currently have pay transparency policies in place should strongly consider implementing them. For countries that *are* advancing pay transparency, the OECD recommends the following steps – presented in an extended summary in the brief – to improve pay transparency tools.

- Legislate to ensure the foundational concept of equal pay for work of equal value and help correct for the historical undervaluation of jobs typically held by women.
- Allow individual workers to request pay information on comparable workers.
- Encourage the more widespread use of intentionally gender-neutral job classification systems.
- Raise awareness and generate buy-in from different actors – including social partners, workers, the government and the public – to improve pay gap reporting compliance, take-up and quality.
- Identify the most important wage gap statistics that should be reported, and provide clear guidelines for reporting in order to simplify processes for employers.
- Improve the quality of reporting and follow-up action plans across firms, and work to ensure that reporting processes are followed by actionable, tailored and enforceable plans to address wage gaps that are found.
- Enforce reporting with a dedicated government actor, such as a labour inspector, rights ombudsman or a certified external auditor, to improve compliance and the quality of reporting.
- Dedicate resources to more and better impact evaluations, including research on both wage outcomes and policy process outcomes.
- Consider mandating equal pay discussions during wage negotiations in collective bargaining.
- Embed pay transparency within a broader, systematic, life course approach to promoting gender equality in society, labour markets, governance and public policy. This includes gender-equal access 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.

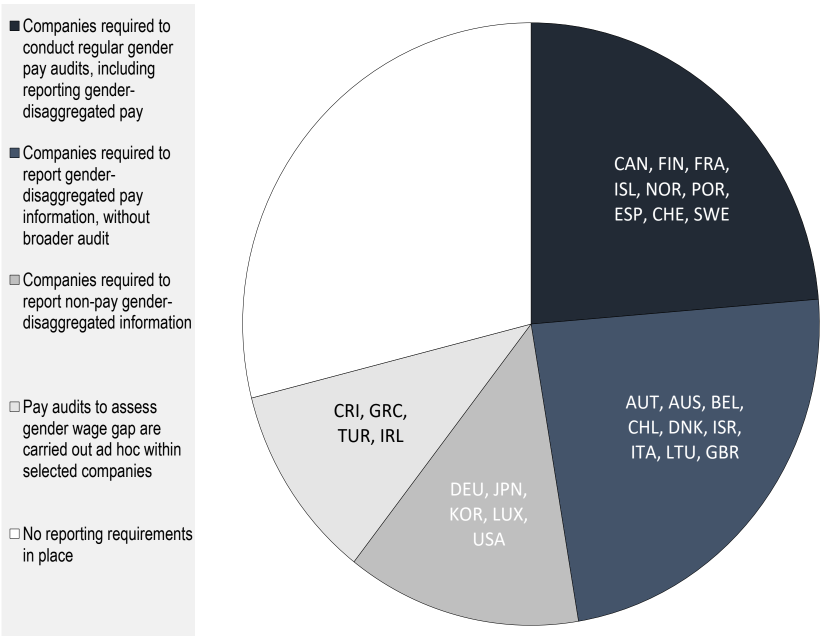
Pay transparency measures in OECD countries

Pay transparency measures are gaining momentum among governments trying to close the gender wage gap. Eighteen out of the 38 OECD countries mandate systematic, regular **gender wage gap reporting** by private sector firms (Figure 1). This can entail calculating and reporting a range of different wage gap statistics, or the simple overall wage gap, to stakeholders such as workers, their representatives, a government agency, and/or the public.

Within this group, nine OECD countries have implemented comprehensive **equal pay auditing** processes. Equal pay audits require additional gender data analysis and typically propose follow-up strategies to address inequalities. Most of these policies were introduced in the past decade, and most of this movement took place in Europe, reflecting the 2014 European Commission Recommendation on strengthening the principle of equal pay between men and women through transparency. Many of these pay reporting rules cover the public sector, as well.

Figure 1. About half of OECD countries require pay gap reporting and/or auditing by private sector firms

Distribution of countries by the presence of regulations requiring private sector pay reporting, pay auditing, or related measures, OECD countries, 2021



Note: Chart shows the distribution of pay reporting measures across OECD countries.
Nine 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 include: Canada, Finland, France, Iceland, Norway, Portugal, Spain, Switzerland, and Sweden (Chapter 4).
Nine countries in which companies meeting defined criteria are required regularly to report gender-disaggregated pay information *without* a broader audit are: Austria, Australia, Belgium, Chile (the financial sector), Denmark, Israel, Italy, Lithuania and the United Kingdom (Chapter 3).
Countries in which all companies meeting defined criteria are required to report gender-disaggregated data on workforce characteristics but *not* gender pay gap data are: Germany, Japan, Korea, Luxembourg and the United States (Chapter 3).
Countries in which an ad hoc selection of companies are required to undergo gender pay audits, including as a targeted labour inspection (Costa Rica, Greece, Turkey) or sanction (Ireland) (Chapter 4).
The remaining OECD countries have no equal pay reporting or auditing system in place.
Source: OECD Gender Pay Transparency Questionnaire (OECD, 2021[1]).

Just under half of OECD countries use **job classification systems** in the public and/or private sector, which attempt to standardise pay and make it transparent across men and women within specific job categories. These classifications, often presented as salary scales, are more common in the public sector. Ten countries mandate that job classification systems, when they are used, be gender-neutral. This is an attempt to correct for gender biases in job valuations that can exacerbate pay disparities. Gender-neutral job classification systems are often embedded within equal pay auditing processes, suggesting they may become more widespread if auditing becomes more common.

Reflecting the autonomy of social partners, only a handful of OECD countries direct or encourage social partners to **discuss equal pay considerations during collective bargaining processes**. Yet workers' representatives play an important role in pay transparency processes. Collective bargaining processes can help introduce and monitor gender-neutral job classification or evaluation schemes; workers' representatives are often integral in the analysis, dissemination, and communication of the results of employer pay gap reporting and equal pay audits; and worker representatives can also help individual workers advocate for better pay when pay inequity is discovered.

All of these pay transparency processes are based on important **legal principles of equal pay for work of equal value, or equal pay for equal work**. Twenty-seven OECD countries report to the OECD that they have clarified the concept of equal pay for equal work and/or work of equal value in national legislation. Most other OECD countries have clarified equal pay principles through the courts and case law.

Each of these policies, defined in Box 1, have the potential to narrow the gender wage gap. But strengthening reforms, greater stakeholder engagement, and more and better evaluations are needed.

Evaluations are limited, but they show pay transparency holds promise

Because most pay transparency policies are relatively new, there has been limited research carried out evaluating their effects on wage and employment outcomes. The available research on national pay transparency rules has largely concentrated on company pay reporting obligations (OECD, 2021[1]).[1]

Studies of company pay reporting rules have typically found small reductions in the gender wage gap when reporting measures are accompanied by the threat of sanctions and/or relatively high policy visibility, as is the case in Denmark (Bennedsen et al., 2019[2]) and the United Kingdom (Blundell, 2021[3]) (Duchini, Simion and Turrell, 2020[4]). The positive effects arise through a reduction in men's wages, rather than an increase in women's wages. Where enforcement mechanisms or wage gap visibility are weaker, however, these measures seem to have had fewer positive effects (Böheim and Gust, 2021[5]; Gulyas, Seitz and Sinha, 2020[6]).

Studies looking at smaller, targeted populations of workers, such as university faculty in Canada and the United States, have also found that publishing salaries helps to close the gender wage gap (Baker et al., 2019[7]; Obloj and Zenger, 2020[8]).

Pay transparency policies should continue to be evaluated in different contexts to see how features of different systems may affect gender wage gaps in different ways. Given that pay transparency policies are often phased in with rules based on firm size, these policies are ripe for rigorous, quasi-experimental evaluations with nearly comparable "treatment" and "control" groups around the policy threshold.

Although the evidence base is still being built, pay transparency policies hold significant appeal. Pay transparency measures represent a relatively simple, intuitive tool both to identify and to take action against

[1] Another study looks at state-level pay secrecy laws in the United States, which prohibit employees from sharing their wage information with others. Kim (2015[26]).finds that the prohibition of pay secrecy rules corresponds with a lower gender wage gap, particularly among more highly-educated workers (Kim, 2015[26]).

the gender wage gap in the workplace – particularly in mid-sized and larger organisations with dedicated human resources management that can calculate gender gaps.

Crucially, pay transparency policies give workers, employers and the public an important tool to combat gender inequality: they offer an acknowledgement of the existence and the size of gender pay gaps.

Why do we need pay transparency?

Closing the gender wage gap depends crucially on knowing whether, how, and to what extent such gaps exist. At the aggregate level – within a workplace, town, region, country, and so on – administrative and labour force data can help governments identify when gender wage gaps occur and their causes. So-called observable factors driving the gender wage gap include an employee's age, level of education, field of study, sector of employment, workplace, parenthood status, and other variables (OECD, 2017[9]). Recent research using match employer-employee data suggests that nearly 80% of the gender wage gap, across a sample of 16 OECD countries, is attributable to pay inequity *within* firms, (OECD, 2021[10]).

It is very difficult, however, for an *individual* worker to know whether she or he is being underpaid – and with whom their salary should be compared. Very few countries guarantee workers the right to learn a specific colleague's (or small group of colleagues') pay (OECD, 2021[1]).

Many countries identify privacy and data protections as a hurdle to sharing a specific, comparable colleague's pay. Logistical or operational barriers are another issue; as with other transparency requirements, some companies claim that identifying and sharing the salary of a "comparator" is too high an administrative burden (OECD GPTQ 2021), though it is not clear that doing so would be much more difficult than other forms of pay reporting. Finally, the issue of finding either a hypothetical comparator or an accurate, real-life comparator is a longstanding challenge (European Commission, 2020[11]).

Countries have used different approaches to address the comparator issue. Such approaches include legislation allowing the comparison of salary with the previous person who held a post, allowing comparison with a group of colleagues, requiring that the comparator be of an opposite sex, and/or requiring that the comparator be employed within the same company (European Commission, 2020[11]) (OECD GPTQ 2021). New Zealand, notably, has recognised that the historic undervaluation of traditionally women's work necessitates a comparator being sourced from a different sector. Some other countries have said that a comparator should not be necessary at all to prove unfair pay.

In sum, the comparator question remains a difficult, practical puzzle to solve when pay discrimination cases arise.

Box 1. 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 (Chapter 1). A comparator may be real or hypothetical (European Commission, 2015[12]).

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.

Job classifications tend to be part of a 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.

The **OECD Gender Pay Transparency Questionnaire 2020** (**OECD GPTQ 2020**) is the reference questionnaire for the policies presented and discussed in the *Pay Transparency Tools to Close the Gender Wage Gap* report.

Pay gap reporting refers to public 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 company or workplace level, but may be more detailed (Chapter 3).

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.

Source: The terms and policies in this brief are elaborated in OECD (2021[1]) *Pay Transparency Tools to Close the Gender Wage Gap*, https://doi.org/10.1787/eba5b91d-en.

The limits of using pay information to (self) advocate

It must be emphasised that gender wage gaps represent a much broader problem, in both societies and labour markets, which cannot be fixed individually. When armed with the knowledge that they have been underpaid, a worker tends to have a limited number of options: do nothing, negotiate higher pay, or initiate a pay equity claim. In all three instances the onus of identifying, raising, and rectifying (possibly discriminatory) pay inequity rests on the individual. This is a very large burden.

While pay transparency laws may give workers more information, their effectiveness largely relies upon workers having bargaining power to negotiate collectively or individually – and to negotiate without backlash, which is less likely the case for female workers. Research shows that women tend to be less likely than men to negotiate for a higher salary, and when they do negotiate they tend to face backlash, or a "social penalty" (Bowles, 2014[13]).

This means that even if a female worker correctly *identifies* a pay equity issue, raising it with her employer may not be an easy step or a feasible solution. Additionally, pay equity claims that go through the legal system tend to be costly, both in time and money.

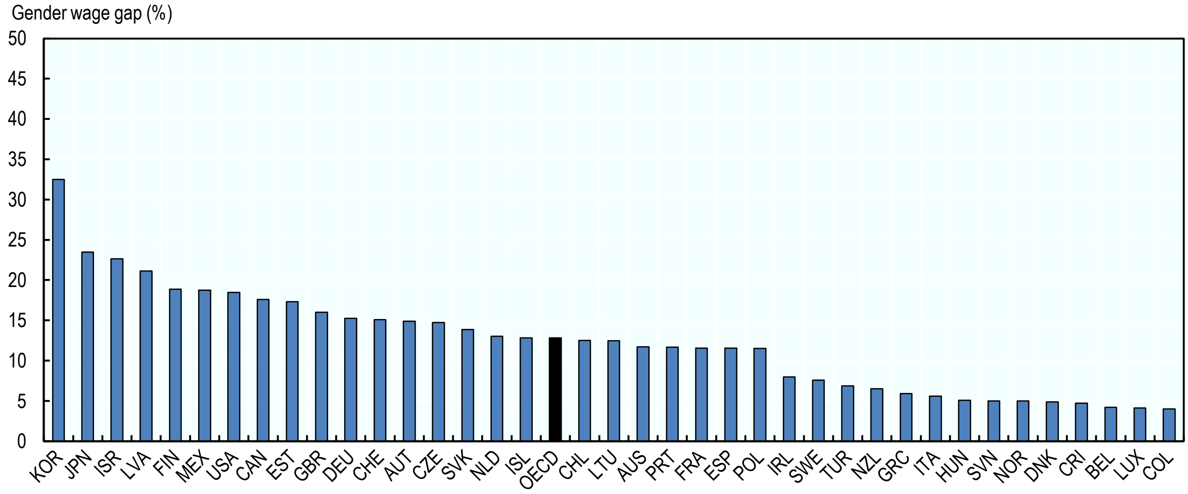
Nevertheless, legal mechanisms must be in place for either an individual or a group of workers to seek recourse if they are indeed underpaid for their work. To support this, objective criteria to assess work of equal value should be used for pay equity claims. Access to justice should be streamlined and the burden of proof in pay discrimination cases should rest on the respondent (European Commission, 2020[11]).

The gender wage gap persists in OECD countries

Pay transparency policies are a relatively new tool to address a longstanding challenge. The OECD average gender wage gap stands at 12.8% – meaning that a woman working full-time today makes 87 cents, on average, for every dollar or euro a full-time working man makes at median earnings (Figure 1) The gap gets even larger when looking at the average pay *all* working women and men take home at the end of the year, because women tend to spend fewer hours in paid work than men do. Women are overrepresented in part-time jobs, and underrepresented in jobs with long work hours, throughout the OECD (OECD, 2017[14]; 2019[15]).

Figure 2. Women make about 87 cents for every man's dollar, on average, across OECD countries

Gender wage gap at the median for full-time dependent employees, 2019 or latest available year



Note: Values represent the difference between median earnings of men and women relative to median earnings of men, 2019 or most recent year. OECD average presents the unweighted average of the latest data across all OECD countries.
Source: OECD (2021), Gender wage gap indicator. Available at https://data.oecd.org/earnwage/gender-wage-gap.htm. For further details, see Box 1.2 in OECD (2021[1]) *Pay Transparency Tools to Close the Gender Wage Gap,* https://doi.org/10.1787/eba5b91d-en.

The widest gender pay gaps are found in Israel, Japan and Korea. In some countries – such as Greece, Italy and Turkey – small gender pay gaps are the result of selection effects reflecting the relatively small number of women who participate in the labour market. These countries have comparatively lower female labour force participation, but their more highly-educated (and higher-earning) female workers tend to remain in the official labour force, thereby inflating female median earnings (OECD Family Database, 2021[16]).

This gender pay gap of 12.8% is an improvement from the gap of nearly 19% in 1996, when most OECD countries began reporting this statistic (Figure 3). Nevertheless it still represents a remarkable gender inequality, and the gap is even larger among high earners (OECD, 2021[1]).

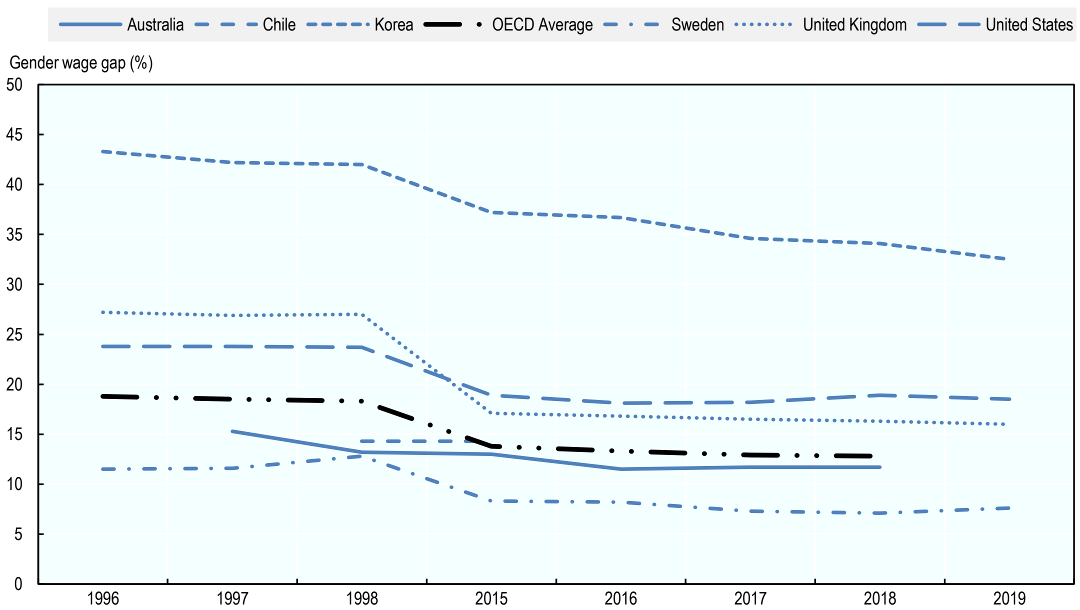
Causes and consequences of unequal pay

Many factors drive the gender wage gap. One issue is horizontal segregation, meaning that men and women are concentrated in specific sectors or jobs. Women tend to be overrepresented in fields that pay relatively lower wages, such as caregiving and service sector jobs, and underrepresented in fields with relatively higher wages, such as science and technology jobs.

Vertical segregation, meaning that men and women are concentrated in different job levels, also affects women's pay. Women's career progression is often limited, particularly in those sectors with fewer women, and across OECD countries women are underrepresented in management roles (OECD Gender Data Portal, 2021[17])

Figure 3. Progress in closing the gender wage gap has been slow

Gender wage gap for full-time dependent employees, selected countries, 1996 through latest available year



Note: Values represent the difference between median earnings of men and women relative to median earnings of men. Trend lines include the latest data available: 2019 for Korea, Sweden, the United Kingdom and the United States, 2018 for Australia, and 2017 for Chile. OECD average presents the unweighted average of the latest data across all OECD countries.
Source: OECD (2021), Gender wage gap indicator. Available at https://data.oecd.org/earnwage/gender-wage-gap.htm. For further details, see Chapter 1 in OECD (2021[1]) *Pay Transparency Tools to Close the Gender Wage Gap,* https://doi.org/10.1787/eba5b91d-en.

Another major barrier is the enormous inequality that exists in the distribution of *unpaid* work hours (OECD Gender Data Portal, 2021[17]). Women do much more cooking, cleaning, looking after the elderly, and childcare than men, which, in turn, limits both the time women can spend in *paid* work and their possibilities to advance in the paid labour market (OECD, 2021[18]; 2017[14]; 2017[19]). This has negative implications for their pay, particularly in jobs with inflexible work hours (Goldin, 2014[20]).

Importantly, discrimination negatively affects women's pay. This has been proven through randomised field experiments. In these types of studies, researchers generally create fictitious job candidates applying for jobs, by correspondence, with exactly the same applicant credentials *except* for the gender of the applicant. These studies have found discrimination against women both in the hiring process for higher-paid jobs and in the starting salaries that are offered (Blau and Kahn, 2016[21]). This almost certainly has downstream effects on the gender wage gap over the life course.

This longstanding gender wage gap is a global injustice. Aside from the economic imperatives of gender equality in labour markets (OECD, 2017[9]; World Bank, 2018[22]), there are even more important implications for human rights and social justice. Women's economic empowerment has obvious positive consequences for women's agency, freedom, and social and political empowerment.

Unequal wages during the working years have long and compounding effects on gender inequality throughout the life course. Lower earnings lessen women's economic independence throughout life, but the consequences are painfully obvious in old age.

There is a sizeable gender gap in retirement income, wealth and pensions that arises after a lifetime of unequal earnings across OECD countries. Women aged 65 and older receive only around three-quarters of the retirement income of men from public and private pension arrangements on average in the OECD (OECD, 2019[23]; OECD, 2021[24]). Related to this (and to women's longer life expectancy), nearly every OECD country[2] has higher poverty rates for women than men. The average old-age poverty rate for women in OECD countries is 15.7%, while for men it is 10.3% (OECD, 2021[24]).

Women's earnings are important at the household level, as well. During childrearing years, mothers' equal participation in the labour market is essential for both raising overall family income and for ensuring a more equal distribution of (paid and unpaid) resources at home. Additionally, it is now almost conventional wisdom in economics that children do better in areas like health when their mothers control a larger share of household resources. This control over spending is influenced, though obviously not entirely, by who brings the income into the home (OECD, 2019[15]).

Pay transparency policies: Shining a light on gender wage gaps

In many countries with pay auditing or pay reporting requirements, these rules only went into effect over the past decade. These recent innovations in pay transparency represent an important, relatively rapid, and large-scale shift to address pay inequality across OECD countries.

Pay transparency measures can function at least as well as a right to request a comparator's pay, but only if they are designed and implemented well.

Lessons learned

What works in pay transparency policies

Many pay transparency policies have been only recently introduced and need more systemic evaluation, but some policy conclusions have become apparent across countries. Other approaches are less frequently used but show promise.

- **Ensuring buy-in from different actors is important for ensuring compliance and take-up of pay gap reporting and equal pay auditing.**

  OECD governments frequently point to the low quality of employers' reported wage gap statistics as a problem. Generating buy-in from stakeholders has the potential to help improve the quality of reporting and, when applicable, follow-up actions. Countries that include multiple actors in pay reporting typically involve workers, social partners and the government. Countries like Sweden,

[2] An exception is Chile, where poverty risks are nearly equal between women and men.

Finland, and France involve unions or works councils extensively in the pay auditing process (Chapter 4), for instance, and these actors function as agents of workers at that stage.

Worker and public awareness of pay reporting results can also help drive support for pay equity (OECD, 2021[1]), as in practice pay gap reporting rules are often not well known. (See Box 1.5 in (OECD, 2021[1]) for more information on communication strategies.)

- **Wage gap reporting should have clear guidelines and straightforward processes.**

  Governments can help simplify the process of wage gap reporting by giving employers clear and direct definitions of what statistics must be reported. Digital tools, too, can help companies calculate wage gaps. This is important given that administrative burden is a frequently-cited concern raised by countries encountering pushback from companies, though recent research suggests that the actual pay reporting cost to companies averages well under EUR 1 000 annually (Eurofound, 2020[25]).[3]

  France offers an example of a country with an extensive but straightforward list of wage statistics[4] required for an audit, and countries like Canada, Israel, Portugal, France and Switzerland have developed publicly available official calculators to help companies meet pay reporting requirements. The Swiss "Logib" tool,[5] for example, usefully offers two modules for companies of different sizes to self-assess their gender wage gap.

- **The type of data reported matters**.

  Governments must consider the advantages and disadvantages of different wage gap statistics required in reporting. Some countries ask for one or two simple data points – like the wage gap at the mean and median – while others ask for an extensive list of gender-disaggregated statistics on wage and employment outcomes across different jobs.

  There are benefits and drawbacks to each approach. Reporting the overall gender wage gap within firms, i.e. without separating workers by job, could encourage firms to train and promote women across occupations – and it may be easier for companies (particularly smaller firms) to calculate an overall gap with existing human resources staff, rather than having to outsource the analysis. It may also give workers a global perspective on how their employer treats women and men in the workplace. However, such a basic measure may conceal inequalities (and possibly discrimination) across workers in the same job. It also may not sufficiently support pay equity claims that require a comparator.

  In comparison, reporting the gender wage gap by subgroups like occupation, skills or experience would better reveal inequalities across similar men and women.[6] However, this has a larger administrative burden and may discourage proactive equality policies if differences are small, or even prevent firms from acting against parts of the gender wage gap that can be explained by observable characteristics.

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[3] This is a cost that could potentially be publicly subsidised for small employers.

[4] Guidelines to the reporting requirements of France's Professional Equality Index (PEI) between Women and Men (l'Index de l'égalité professionnelle entre les femmes et les hommes) are available at this site (in French): https://travail-emploi.gouv.fr/droit-du-travail/egalite-professionnelle-discrimination-et-harcelement/indexegapro.

[5] Switzerland's Logib calculator is available at https://www.logib.admin.ch/home.

[6] A recent survey of 124 employers and employee representatives in 14 countries found a preference for reporting the gender wage groups with more fine-grained details, e.g. for specific positions or tasks, rather than the aggregated gender wage gap for the entire organisation (Eurofound, 2020[25]).

To achieve pay equity goals, it is perhaps most effective for companies to calculate both sets of statistics, with the overall wage gap easily estimated based upon the disaggregated measures.

Variables beyond pay statistics may also be relevant as part of gender audits. For example, France requires companies to report how many women returning from maternity leave received regular step increases in pay, and countries like Germany, Korea and the United States mandate gender-disaggregated employer reporting on employee statistics *other* than pay, such as the gender composition of the workforce.

- **Enforcement and penalties carried out by a dedicated government actor can help ensure compliance**, though different enforcement strategies seem to be working well in different places. In the United Kingdom, for example, the “name and shame” approach – in which a company’s overall gender pay gap or failure to report is published online for public consumption – has likely contributed to 100% reporting compliance in the first two years of the programme.

  The French auditing system has teeth in the form of inspections by the Ministry of Labour, Employment and Inclusion, which reports a consistent improvement in compliance since the latest auditing process went into effect in 2019. Italy relies on its dedicated regional Gender Equality Advisors, who work with the Labour Inspectorate to monitor compliance. In Iceland, companies’ pay equity outcomes are monitored by government-regulated auditors; this is also typically the case in Switzerland.[7] In a novel strategy, Lithuania recently tasked its social insurance agency to begin publishing companies’ wage gap statistics based on administrative data.

  Countries without a dedicated government actor regularly enforcing reporting requirements tend to have less data on compliance, so it is unclear how effective their measures are. In many countries, companies’ failure to comply adequately can be followed by financial sanctions.

- **Action plans should be developed to address gender gaps that are found**. Complying with reporting obligations, in the form of identifying and reporting wage gaps, is a crucial first step. Yet reporting will do little to reduce pay inequity without a relevant, tailored plan created by firms to address such gaps. This needs to be matched with government or union enforcement of the content of action plans, within a reasonable timeframe, to help ensure pay transparency measures can actually reduce the gender pay gap. Otherwise the gaps that are found may be ignored or left to workers and their representatives to address.
- **Job classification systems can offer a straightforward way to present workers’ pay across jobs.** Job classifications can be used not only to address gender gaps but also other forms of discrimination among workers, as pay is defined for the job regardless of who carries it out. They also can help facilitate calculations as part of pay reporting and auditing processes, and can help in pay equity cases – though they do little to reduce gender wage gaps caused by horizontal segregation. When job classification systems are designed with intentional equal pay considerations, they are more likely to achieve equal pay for work of equal value goals (Chapter 2).
- **Legislation around the concept of equal pay for work of equal *value***, rather than the simple concept of equal pay for equal work (i.e. the same or very similar job), can help to correct for the historical undervaluation of jobs and sectors that have typically been considered “women’s work”.

[7] In Switzerland, a pay equity audit can be carried out by an independent body that is not regulated by the government, i.e. an organization under Article 7 of the Gender Equality Act or an employees’ representation (see Article 13d para 1b Gender Equality Act (GEA)). These organizations under Article 7 GEA are not audit firms in the sense of the Auditor Oversight Act. However, in practice most audits will be carried out by firms of auditors licensed under the aforementioned Auditor Oversight Act. Only a minority of employers choose an organization under Article 7 GEA.

New Zealand is systematically advancing this approach,[8] and it has also been supported in case law in places like Spain (Chapter 2). As part of its comprehensive auditing process, Iceland requires the analysis of pay gaps both for the same work and for work of equal value. However, the onus tends to remain on workers or their representatives to initiate pay equity claims, which are typically costly and time-intensive.

Room for improvement in pay transparency policies

- **Improve the quality of reporting.** There are significant quality differences in companies' reporting both within and across countries. Even countries with relatively advanced and longstanding auditing systems – such as Finland and Sweden – report that some companies are doing the bare minimum to meet reporting requirements, let alone advance an action plan to combat their firm's gender wage gap.

  Improving the quality of reports likely requires the participation of a dedicated government actor with regular oversight responsibilities. Governments should increase the minimum standards needed to comply with the content of reporting obligations.

- **Increase the share of firms that are covered by reporting requirements.** Most countries that mandate reporting require it for companies with a minimum of between 30 and 500 employees.[9] Consequently, a large portion of the labour force is not covered by pay transparency rules – thereby limiting the effectiveness of such policies on the overall gender wage gap.

  Countries tend to include carve-outs for smaller firms in an effort to reduce their administrative burden. However, as explained above, pay reporting is relatively low cost, particularly if governments provide an online pay gap calculator.

- **Carry out more – and more rigorous – evaluations of wage outcomes**. Countries with pay transparency rules have not conducted rigorous evaluations of policy effects on *pay* outcomes. This makes it difficult for governments to determine whether current pay transparency laws are achieving their stated gender equity goals.

  Academic research, when available, has found that pay transparency has slightly reduced the gender wage gap in countries with adequate enforcement and/or policy visibility.

  When it is not possible to implement randomised experiments during programme implementation or reform, government research offices and academics should consider using quasi-experimental methods to evaluate pay transparency programme effects. This might entail, for example, exploiting discontinuities in outcomes between employers who are barely above a reporting requirement threshold with employers who are barely below a reporting requirement threshold, as has been done in academic research on Austria, Denmark and the United Kingdom (Chapter 3).

- **Increase and improve evaluations of policy processes, including the collection of compliance data.** A number of countries do not actively keep track of whether firms are fulfilling pay transparency obligations. While many countries may have penalties for firm non-compliance, in many instances it can be unclear whether these penalties are enforced or sufficient to act as a

[8] New Zealand is attempting to correct for historical pay discrimination by addressing remuneration gaps across male-dominated and female-dominated occupations that hold equal value. Since the Equal Pay Amendment Act of 2020, a new pay equity procedure allows unions, or individual employees, to raise pay equity claims on the basis that the work the claim relates to is predominantly performed by women, defined as 60% of the workforce being female, and is currently, or has historically been, undervalued. Once undervaluation has been established, the work can be compared with comparable work predominantly performed by men (Chapter 2, (OECD, 2021[1])).

[9] A notable exception to this trend is Sweden, which requires equal pay audits from firms with at least ten employees.

deterrent. For instance, most countries were unable to provide data on how often pay transparency measures had been enforced (OECD GPTQ 2021).

- **Raise awareness of pay transparency initiatives among social partners, employees, employers and the public during policy design and delivery.** While some countries conduct awareness-raising and training campaigns, a more comprehensive approach that targets *all* affected actors, at different stages of policy design, will help ensure policy measures are effective (OECD, 2021[1]).
- **Increase the use of intentionally gender-neutral job classification systems**. There is considerable variation across OECD countries in the use and mandating of gender-neutral job classifications systems. Even if gender-neutral job classifications are not mandated, governments can help make them more widespread. For instance, in Lithuania, the government has worked with stakeholders to establish guidelines on how companies can create a gender-neutral job classification scheme.
- **Ensuring, where appropriate, that equal pay is mandated in collective bargaining**. This could take place at the sectoral or workplace level. Whether mandating equal pay discussions during collective bargaining is necessary may depend upon worker bargaining power and the role and coverage of unions. For instance, Sweden reports that with high union coverage and a strong union role in promoting gender equality, *mandating* such a measure is not necessary. Regardless, ensuring that collective agreements cannot contravene existing equal pay or anti-discrimination laws is a necessary measure.
- **Reducing barriers to a successful equal pay claim.** Equal pay cases tend to be relatively infrequent, and, when initiated, workers and their representatives tend to experience costly (both in time and money) legal proceedings. Countries should make use of alternative dispute resolution mechanisms and make the comparator easier to identify in equal pay claims. They should also move the onus to disprove discrimination from workers to the employer, as is being considered in Luxembourg.
- **Promote convergence in pay transparency commitments across OECD countries.** Some countries, particularly in Europe, have initiated a range of pay transparency policies, while other countries have barely moved beyond basic equal pay legislation. A goal of this report is to share lessons learned, so that countries with a less developed approach to the gender wage gap may be encouraged to take a step in the direction of pay transparency, in line with national priorities, abilities and constraints.
- **Embed pay transparency within a broader public commitment to gender equality and closing the gender wage gap.**

  In many ways, pay transparency policies come too late – they seek to remedy wage gaps after years of gendered socialisation, gendered schooling, and gendered labour market decisions have occurred.

  Governments must take a holistic, multifaceted approach to ending gender inequalities, from a very young age, at home, in society, and in labour markets. Such an approach will significantly lessen the need for pay transparency measures to address what have often become deeply embedded inequalities during the working years.

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