Stylised facts on the gender pay gap

- **The gender pay gap remains persistently high.** Across the OECD on average, the gender wage gap (GWG) measured at median earnings for full-time workers stands at 12%. Women now tend to have similar or better qualifications than men, yet they often work in low-pay jobs.

- **The bulk of the gender wage gap is concentrated within firms.** About three-quarters of the gender wage gap is because the same firm pays men more than women despite having similar skills. This mainly reflects differences in tasks and responsibilities rather than differences in pay for work of equal value. The remaining one-quarter of the gender wage gap results from the concentration of women in low-wage firms and industries.

- **The gender wage gap tends to increase with age.** In the majority of countries, the GWG increases throughout the working life (e.g. Western European countries, Japan). In several other countries, the GWG increases up to age of 35 but then gradually declines (e.g. Central European countries, the United Kingdom).

- **Growing gender wage gaps with age largely reflect differences in job mobility.** Women are less likely to be promoted. In part, this is because women are more likely to work part-time and part-time workers are less likely to be promoted. Women are also less likely to change firm than men and, when they do, they are less likely to get significant raises in wages. This suggests that women change jobs less often for career considerations and more often for family reasons.

- **Career breaks around the age of childbirth contribute to differences in wage growth between fathers and mothers ("motherhood penalty").** Career breaks carry considerable earnings losses, ranging from 4-8% of pre-break earnings, depending on their duration and the skills of mothers. Earnings losses in part reflect the role of missed experience when out of work and in part the fact that many women switch to part-time with fewer opportunities for career progression.

Policies to reduce the gender pay gap

- **Policies targeted at firms** are key to promoting women’s access to better jobs and reduce gender wage gaps. This includes pay transparency measures, e.g. firms’ disclosure requirements, gender equality audits, the use of job-classification systems, and the use of voluntary target setting and mandatory quotas for women in higher-level positions or company boards.

- **Policies targeted at families** can support the careers of mothers by promoting a more equal distribution of household responsibilities. This includes supporting a more equal use of parental leave policies by fathers and mothers, investing in the capacity and quality of early childhood education and care and out-of-school hours services, and ensuring that tax/benefit systems give both partners in a couple equally strong financial incentives to work.

- Crucially, different policy measures and initiatives should not stand alone or be separate events. Through regular and systemic data gathering and evaluation, organisations should identify the drivers behind the gender pay gap and develop an *ecosystem* of policies and workplace practice and culture that generates equal pay for work of equal value as a matter of course.
The gender wage gap and the role of firms

Women are still in a substantially weaker labour market position than men across all OECD countries, despite considerable improvements over the last few decades. Across the OECD on average, the gender wage gap (GWG) measured at median earnings for full-time workers stands at 12%. This not only goes against basic notions of fairness, but also entails significant economic costs by not making the most of women’s human capital.

This brief provides new evidence on the GWG and the specific role of firms: it assesses the extent to which gender wage gaps are driven by within-firm pay practices or differences in such practices across firms. As women nowadays tend to have similar or higher levels of education than men in many countries (OECD, 2021[1]; OECD, 2022[2]), it focuses on the GWG between men and women with the same level of education and (potential) labour market experience. The key insight is that the bulk of the GWG is concentrated within firms. This highlights the potential importance of policy measures targeted directly at firms and may explain in part the growing interest among policy makers in the use of gender reporting requirements.

The analysis of the role of firms in the gender wage gap uses linked employer-employee data derived from individual administrative records of the tax and social security systems. Such data have several advantages: they provide comprehensive and high-quality information on earnings and allow analysing to what extent gender wage gaps are concentrated within firms or reflect differences in pay practices between firms. The analysis in this brief builds on the OECD LinkEED project which focuses on the role of firms in wage inequality, including gender wage gaps (OECD, 2021[1]) as well as gender reviews for Estonia and Germany (OECD, 2022[2]; OECD, 2022[2]).

The bulk of the gender wage gap is concentrated within firms

About three-quarters of the GWG between similarly skilled men and women reflects differences within firms (Figure 1). More detailed analysis in OECD (2021[1]) suggests that in most countries, this mainly reflects differences in tasks and responsibilities, whereas differences in pay for work of equal value tend to be relatively small. Consequently, the key priority for policy is how to promote access for women to better jobs within firms.

The remaining one-quarter of the gender wage gap results from the concentration of women in low-wage firms and low-wage industries. The between-firm gender wage gap reflects both the degree of gender segregation across firms and industries paying different wages and the importance of wage differences between firms and industries for workers with similar skills. The concentration of women in low-wage firms may be the result of discriminatory hiring practices by employers or the preferences of women for firms with flexible working-time arrangements. Firms that are more likely to offer part-time work arrangements also tend to offer lower wages (OECD, 2021[1]). The concentration of women in low-wage industries may also reflect the role of past educational choices and gendered socialisation processes earlier in life. The importance of pay differences between firms and industries for workers with similar skills varies significantly across countries. Such pay differences are particularly large in Germany and have become more pronounced since the 1990s. This has been attributed to the erosion of collective bargaining coverage in Germany and a greater emphasis on firm-level bargaining (OECD, 2022[2]).

The gender wage gap tends to be particularly high among high-wage workers. For example, in Estonia the gender wage gap between similarly skilled workers is three times higher for high-wage workers (in the top decile of the wage distribution) than for low-wage workers (in the bottom decile of the distribution) (OECD, 2022[3]). In Germany, the difference is smaller, but the gender wage gap is still 50% higher at the top than at the bottom of the wage distribution. In both countries, differences in pay for work of equal value contribute significantly to pay gaps among high-wage workers but play essentially no role for low-wage workers (OECD, 2022[2]). This may reflect the possibility that individual wage bargaining tends to be more important in high-wage jobs and that women tend to have a weaker bargaining position than men. This
may be due to the unequal sharing of family responsibilities, which increases the importance of gender-friendly working conditions (e.g. hours flexibility, limited travel) and reduces opportunities for switching to firms with more generous pay practices. Similarly, differences in pay for work of equal value may be less pronounced among low-wage workers because of the presence of statutory minimum wages and/or collectively agreed wage floors.

**Figure 1. The gender wage gap is largely concentrated within firms**

Difference in average wages between similarly skilled women and men as a share of average hourly wages of men, percentage, early-2000s to late-2010s

![Gender wage gap chart](https://doi.org/10.1787/7d9b2208-en)

**Note:** Decomposition of the gender wage gap between similarly skilled women and men within firms and between firms. The between-firm component is further decomposed between sectors and between firms within sectors. The wage gap between similarly skilled men and women is obtained from a regression of log wages on a gender dummy, education/occupation dummies (not available for Austria and Estonia), flexible earnings-experience profiles by gender and decade-of-birth dummies to control for cohort effects. The positive gap between sectors for the Netherlands is also observed when using data from the EU Structure of Earnings Survey (OECD, 2021[1]). This may be partly driven by higher wages among younger women relative to young men. Reference period: 2001-13 for Japan; 2002-17 for Portugal; 1996-2015 for Italy; 2002-19 for the United Kingdom; 2003-17 for Hungary; 2004-16 for Finland; 2003-18 for Estonia; 2000-16 for Austria; 2014-19 for the Slovak Republic; 2006-18 for Spain; 2002-18 for Germany; 2010-19 for the Netherlands; 2002-18 for France; 2001-17 for Denmark; 2006-17 for Costa Rica; and, 2002-17 for Sweden.


**Gender pay gaps tend to increase with age**

The gender wage gap within and between firms tends to increase with age (Figure 2). In most Western European countries as well as Japan, the gender wage gap tends to increase with age until retirement (Panel A). This reflects growing differences in pay both between and within firms. A possible explanation is that men increasingly sort into high-wage jobs as they advance in their careers, while women stay behind or may even be constrained to move into lower-wage jobs (many women in Japan find it impossible to return to well-paid regular employment once they have taken time out to care for very young children), which offer more flexible working time arrangements (as, for example in Germany and the Netherlands).

In Central and Eastern European countries as well as the United Kingdom, the gender wage gap increases between the ages of 25 and 35, but then declines (Panel B). This pattern is mainly driven by differences in pay between women and men within firms, while the role of between-firm differences varies across countries. In Denmark and Costa Rica, the gender wage gap is broadly stable until the age 45 – with only a tiny increase in the mid-thirties – and a more significant decline thereafter (Panel C).
Figure 2. The role of firms in the evolution of the gender wage gap over the working life varies across countries

Difference in average wages between similarly-skilled women and men as a share of the wages of men by age, percentage, early-2000s to late-2010s

Note: For details on the methodology and data used, see the notes under Figure 1.

**Gender differences in job mobility contribute to rising age profile of the gender wage gap**

The tendency of the gender wage gap to increase with age reflects significant gender differences in upward job mobility within and between firms (Figure 3). Indeed, the bulk (about 75%) of the increase in the gender wage gap within firms up to age 45 can be attributed to gender differences in the probability of being promoted (measured as experiencing a significant wage increases from one year to the next). Women are less likely to be promoted (Panel A). In part this is because women are more likely to work in part-time jobs and part-time workers are less likely to be promoted (OECD, 2021[1]). A substantial part of the increase in the gender wage gap between firms up to age 45 (about 20%) is driven by gender differences in the extent...
and nature of job mobility across firms. Women are not only less likely to move between firms than men (Panel B), but when they do, this is less likely to be associated with significant wage increases (OECD, 2021[1]). In other words, women change jobs to a lesser extent for wage and career considerations and more often for personal reasons (e.g. having more flexible working-time arrangements, working closely from home, following a partner).

**Figure 3. Gender differences in job mobility within and between firms contribute to the increasing age profile of the gender wage gap**

Probability of changing job by gender, percentage, early-2000s to late-2010s

Note: The probability of being promoted is defined as the share of persons in employment at t-1 experiencing a significant increase in pay between t and t-1 (more than 10%). The probability of changing firm rate is defined as the number of workers changing firm between year t and t-1 as a share of employment in year t-1. Average across the following countries: Sweden, Germany, Denmark, France, Hungary, the Netherlands, Portugal. Reference period: 2001-17 Denmark; 2002-17 Sweden; 2002-18 for France; 2003-17 for Hungary; 2010-19 for the Netherlands, 2002-18 for Germany and 2002-17 for Portugal.


**Career breaks around the age of childbirth contribute to the motherhood penalty in wages**

Career breaks around the age of childbirth account for a large fraction of the “motherhood penalty”, i.e. the shortfall in wage growth following childbirth, and in doing so, also contribute to the increase in the gender wage gap over the working life. Career breaks around the time of childbirth – measured by non-employment spells in the data – carry considerably earnings losses, ranging from 4 to 8% of pre-break earnings, depending on the duration of the break and the skills of the mother (Figure 4). These mainly reflect lower wage growth within firms due to missed experience or human capital depreciation. While most women return to the same firm after a career break, in some countries, many women switch to part-time work, further reducing their earnings. Career breaks tend to be more common among low to medium-skilled women, possibly reflecting the lower opportunity costs of not working. Systematic differences in the incidence of career breaks between countries as well as between regions within countries where family policies are similar (e.g. between Western and Eastern Germany) point to the importance of complementing family policies that promote a more equal use of parental leave among mothers and fathers with policies that can foster more gender-friendly social norms.
Figure 4. Career breaks around the age of childbirth can carry significant wage losses

Percentage difference in wages before and after career break by duration of break and worker skills


A policy package to curtail gender pay gaps

Wage gaps between men and women with similar skills mainly reflect within-firm pay differences and to a lesser extent reflect between-firm pay differences. Moreover, these gender differences tend to grow after having children. Much of this can be attributed to the unequal sharing of household responsibilities between parents, highlighting the importance of gender-sensitive family policies, but also of broader measures that can shift social norms.

Many other aspects affect gender pay gaps that are beyond the scope of this policy brief. Education and educational choices are important for longer-term labour market trends. In this regard, women have made great strides. Nowadays young women in OECD countries are on average more likely to obtain higher educational attainment than young men (OECD, 2021[4]). Nevertheless, young men are still more likely than young women to graduate in Science, Technology, Engineering and Mathematics (STEM) studies, which generally lead to career patterns in higher paid occupations and jobs. In general, these educational choices are related to attitudes rather than aptitude, and changing social norms that affect educational choices takes time.

Policies targeted at households to mitigate the motherhood penalty

The arrival of children has a big impact on family life and tends to increase pressures on work-life balance (OECD, 2021[5]). In countries like Austria, Germany, Japan, the Netherlands and the United Kingdom, the gender pay gap increases rapidly between the ages of 30 and 40 (Figure 2). At this stage in their life, women are more likely to take paid leave and or work part-time, which has negative effects both on women’s chances to be promoted to higher echelons within firms, and in allowing them to work in high-intensity, high-wage firms. When periods of parental leave and part-time work are time-limited and shared by men and women, the risk of women being side-lined in promotions and pay increases can be mitigated.
Continue to promote more equal uptake of parental leave by fathers and mothers

In recent years, policy reforms across many OECD countries have aimed to encourage fathers to take up parental leave through earmarked months or bonus systems. While only seven OECD countries offered some parental leave that was reserved for fathers in 1995, 34 countries did so in 2020. During this process of policy change, the gender division in the use of publicly administered parental leave and benefits has approached 50/50 in some countries (Iceland, Portugal and Sweden), although most countries still see significant gender inequalities in the use of leave and benefits (OECD, 2022[8]).

The work to continue to improve the gender balance in parental leave is ongoing. Germany, for instance, made progress in ensuring that mothers can return to work and fathers can care for their children. The EU has also recently taken legislative action through the Work-Life Balance directive (Directive 2019/1158/EU), which among other issues aims to encourage more equally shared parental leave. It stipulates that each parent will have an individual right to four months paid parental leave, of which at least two will be non-transferable (OECD, 2022[7]). It is encouraging to see policy action, and it is important to keep the momentum going. In fact, implementation of the EU directive will require 15 EU countries to increase their portion of parental leave specifically allocated to fathers. Looking across the OECD, only 14 countries reserved at least two months reserved for fathers in 2020, while 25 countries did not. Five countries (Costa Rica, Israel, New Zealand, the Slovak Republic, and the United States) reserved no leave at all for fathers (OECD, 2022[8]).

Provide formal childcare and out-of-school-hours services for all young children

A comprehensive early Childhood Education and Care (ECEC) system is key to facilitate an earlier return to work after childbirth and particularly the option to take on full-time work for both parents. Across the vast majority of OECD countries, enrolment in ECEC among both 0-2 year-olds and 3-5 year-olds has increased since 2010 and many countries have close to 100% enrolment for 3-5 year-olds. However, in five OECD countries, fewer than seven in ten 3-5 year-olds attend ECEC or school (Costa Rica, Greece, Switzerland, Türkiye and the United States). There is scope for action here; enrolment has only increased by 0.2 percentage points since 2010 in the United States and by 2.8 percentage points in Switzerland (OECD, 2022[8]).

Whether families can actually make use of available childcare services will in part depend on how much these cost. Out-of-pocket centre-based net childcare costs are low for German parents. Two children at full-time ECEC in Berlin represents just 1% of average earnings. ECEC is affordable in many OECD countries: eight countries provide ECEC at a cost of less than 10% of average earnings (Austria, Estonia, Germany, Iceland, Latvia, Lithuania, Spain, Sweden) (OECD, 2022[8]). Nonetheless, some countries could do more to cut childcare costs. In seven OECD countries, parents have to spend half of average earnings or more to put two children in full-time care (Australia, Greece, Japan, Luxembourg, the Netherlands, New Zealand and Switzerland) (OECD, 2022[8]).

To give parents a viable option to return to (full-time) work, they need to have childcare readily available at a sufficient number of hours. A gap between demand and supply in early childhood education and care (including out-of-school-hours care) hampers the ability of both parents to return to full-time employment as children get older, and this is likely to affect mothers disproportionately. One way to gauge childcare gaps is to consider the proportion of families that rely on informal care. The proportions of 0-2 year-olds that depend on informal care in a typical week are lowest in the Nordics (at 1% or less in Denmark, Finland and Sweden), but over two in five children depend on informal care in Greece and Hungary. There is much scope to do more across the OECD; overall, almost one-in-four children (24%) needs informal care in a typical week. Furthermore, childcare issues do not end when children enter primary school, out-of-school hours services can play an important a role in supporting both parents in families working full-time.
Reduce financial incentives for (female) spouses to take up part-time work

There can be elements in the tax and benefit system that weaken financial incentives for spouses with the lowest earnings in households (often women) to work or to work full-time. Indeed, in some OECD countries, married couples and civil partners can file their income taxes together, with joint liability for the aggregated income of the couple. The result is that the couple can jointly be taxed at a lower marginal rate than they would have been if the members of the couple had filed taxes on their own (due to progressive tax schedules). Joint liability can reduce the overall tax payment for the family but will increase the marginal tax rate for the lower-earning partner.

On average across the OECD, couples with two children earning average incomes pay lower tax rates when each adult earns the same proportion of family income than when one adult earns more or all of the family income. This encourages both partners to engage in equal measure on the labour market. However, some countries deviate from this trend. In Chile and France, single-earner families pay the lowest tax rate, while families where both adults make the same income pay the highest rate. In Latvia, single-earner families pay less tax than dual-earner families, whereas in Switzerland and Türkiye, one-and-a-half-earner families have the advantage. Countries where the tax system favours single-earner or main-earner families should consider changing their systems to become either neutral on a family basis or – even better from the perspective of gender equality in the household – implement individual taxation. Governments can instead put in place more transparent family supports or reduce individual income tax rates to compensate families who lose out on income if family taxation rules change.

Policies targeted at firms

As the gender wage gap is largely concentrated within firms, there is a need to focus policy intervention to promote employment and pay practices also within firms. For example, equal pay laws and anti-discrimination laws are in place across the OECD countries. These are crucial for establishing workers' rights, but in practice, they put the onus on individual workers to ensure that employers adhere to equal rights law. These laws can therefore do little to close gender pay gaps more broadly. However, some policy measures directly target firms to help curtailing gender pay gaps, including pay transparency tools, quotas and voluntary targets.

Provide objective and measurable data through pay transparency measures

To reduce persistent gender wage gaps and more specifically raise awareness about systematic pay differences within firms, pay transparency measures have gained momentum in policy packages over the past decade and in European OECD countries their development was often inspired by the 2014 European Commission Recommendation on strengthening the principle of equal pay between men and women through transparency. There are different types of pay transparency measures that could potentially contribute to narrowing gender pay gaps. These include job classification systems to provide benchmarks and correct for potential gender bias in job valuations as commonly used in the Netherlands; non-pay reporting of gender-disaggregated information (Germany); regular gender pay reporting, without audit (Denmark); and, regular pay gap reporting but with audit (France and Sweden). Some countries, including Denmark, France and Sweden, disincentivise non-compliance through the ability to issue fines. However, since these instruments have been introduced relatively recently, little is known so far about their effectiveness and good practice.

The primary value of pay transparency measures is to provide aggregate statistics as benchmarks against which employees can compare their own pay packages. Detailed pay audits are most comprehensive in this regard, as they can provide information on pay, skills and competencies across a range of functions and jobs. Sharing information about the average wages of men and women within firms, especially when disaggregated by job classification, can support underpaid workers to negotiate up their wage.
Strengthen job classification systems to better inform evaluation of competence and pay

Job classification systems can help objectively match roles and responsibilities with individuals in possession of the required skills. Across the OECD, 18 countries, including Austria, Denmark and the United Kingdom, mandate systematic, regular gender wage gap reporting by private sector firms (OECD, 2021[9]). Job classification systems provide more transparency in terms of what is required for a promotion, which can contribute to more objective recruitment and promotion rounds and can thus reduce discrimination. Both these factors can contribute to more women receiving promotions to better-paid roles and responsibilities within firms, which in turn would contribute to reducing the considerable wage gaps within firms. Finally, gendered norms and expectations play a role in sustaining gender wage gaps as they influence job search and wage negotiations to the benefit of men relative to women. The combination of pay transparency measures and job classification systems makes salaries more transparent for men and women across specific job categories.

Explore comprehensive equal pay auditing to mainstream gender-sensitive thinking

Equal pay audits usually require analysis of the proportion of men and women in each category of employee or position, an analysis of the job evaluation and job classification system used, and detailed information on pay and gender pay differentials. In the OECD, nine countries, including Canada, Norway and Switzerland, implement such pay auditing processes (OECD, 2021[9]). Auditing processes often offer more straightforward avenues for follow-up action than simpler pay reporting measures and reduce pressure on individuals to address their own disadvantage (OECD, 2021[9]). Audits can directly affect gender pay gaps in ways similar to simpler pay transparency measures. However, their key contribution is to mainstream gender sensitive thinking within firms and provide evidence for more targeted action by policy makers and firms. Audits can highlight underlying drivers, including wage gap increases during years of childrearing and pay gaps due to corporate hierarchies. Auditing requirements could be introduced for large as well as small firms provided there are ways (e.g. provision of financial support towards the cost, on-line calculators) to offset the administrative burden that (primarily smaller) firms face.

Wage-setting institutions can help reduce the gender wage gap between firms

Strengthening wage-setting institutions in the form of minimum wages and collective bargaining can help reduce the between-firm gender wage gap by compressing wage differences between firms. Differences in pay practices between firms in countries with more centralised collective bargaining arrangements are about half that in countries with more decentralised ones. For instance, decreasing collective bargaining coverage in Germany has contributed to growing discrepancies in pay differences (wage premia) between firms, which in turn has slowed down progress in narrowing the gender wage gap (OECD, 2022[7]). Similarly, introducing and raising minimum wages can also limit wage differences between firms and reduce the gender wage gap between firms among low-wage workers.

Continue to use quotas and soft measures to help breaking the glass ceiling

The different family, fiscal and wider social policy measures above encourage both men and women to return to high-quality jobs following career breaks and compete for promotion on an equal footing. In addition, various countries have introduced mandatory quotas, voluntary target setting and/or a range of other measures such as disclosure requirements, capacity-building actions, certificates and awards. Targets and quotas can help address gender gaps in the short and medium term, but they are not a sustainable solution in themselves. The key to sustainable success is the development of a gender-balanced cohort of competent employees for promotions into senior positions within companies and across sectors. For instance, while Sweden does not have legal quotas, the Government’s gender equality target stipulates that at least 40% of boards should be made up of women. Progress has been made over the past few years and by 2020, 38% of board seats were held by women. A more gender-balanced workforce throughout organisational hierarchies is key to narrowing gender pay gaps within-firms and between sectors.
References


Contact

Willem ADEMA (✉ willem.adema@oecd.org)

Alexander HIJZEN (✉ alexander.hijzen@oecd.org)


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