



UNIVERSIDADE CATÓLICA PORTUGUESA

# ESG – The gender pay gap

An analysis of the magnitude of the gender  
pay gap and the potential impact of closing it

by

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# Resumo

Como parte da componente *Social* de *ESG*, a disparidade salarial de género permanece por resolver e sob o radar da Comissão Europeia, embora a igualdade salarial faça parte do Tratado de Roma (artigo 157 TFEU), 1957. Os dados da UE de 2019 indicam que esta totaliza 14,1%. A Comissão Europeia compromete-se a abordar este tema, nomeadamente via Directiva da Transparência Salarial.

A disparidade salarial de género consiste na diferença média entre os salários de homens e mulheres (valor/hora líquido), impulsionada por diversos factores associados ao comportamento do mercado de trabalho (segregação salarial, trabalho a tempo parcial), à divisão desigual de trabalho pago e não pago, decisões de carreira influenciadas pela dedicação à família, inferior número e menos bem pago de responsáveis femininas e discriminação de género.

È sugerido um forte esforço conjunto de Governos, Empresas e Parceiros sociais, através da adopção de melhores práticas e regulamentação de salário mínimo, promoção da transparência salarial e diversificação de funções, investimento na protecção social e licença parental (Governos); igualdade salarial, superação de preconceitos, políticas neutras e protectoras das famílias, equilíbrio de género, aposta na transparência, formação e redução do impacto da licença parental na carreira dos pais (Empresas); e intervenção na disparidade sectorial e negociação colectiva (Governos e parceiros sociais).

Os benefícios de eliminar a disparidade salarial de género englobam a redução da pobreza, o empoderamento das mulheres e a melhoria do desempenho dos negócios e o fortalecimento da economia global, incrementando a diversidade no trabalho e, como tal, contribuindo para uma economia mais inclusiva.

Palavras-chave: disparidade salarial de género; igualdade salarial; preconceito; discriminação de género; segregação.



# Abstract

As part of the Social component of ESG, the gender pay gap remains unresolved and is still under the European Commission's radar despite equal pay being a part of the European Treaties (article 157TFEU) since 1957. According to 2019 EU data, the gender pay gap stands at 14.1%. The European Commission commits to addressing this issue via the Pay Transparency Directive.

The gender pay gap is the average difference between women's and men's salaries in gross hourly earnings and is driven by several factors associated with the labour market behaviour (sectoral segregation, part-time work), but also the uneven split of paid and unpaid work, career choices influenced by family care, the fewer and lower-paid female managers and even gender discrimination.

A strong joint effort by Governments, Companies, and Social partners is suggested to close the gender pay gap, namely by adopting best practices and enforcing a minimum wage, promoting pay transparency and roles diversification, and investing in social protection and parental leave (Governments); ensuring equal pay, overcoming bias, implementing gender-neutral and family-friendly policies, committing to gender balance, betting on transparency, providing adequate training and reducing the impact of parental leave on the parents' career (Companies); and addressing sector differences and collective bargaining (Governments and social partners).

The benefits of closing the gender pay gap comprise reducing poverty, empowering women, and also improving business performance and consequently strengthening the global economy while increasing diversity in the workplace and therefore contributing to a more inclusive economy.

Keywords: gender pay gap; equal pay; bias; gender discrimination; segregation.

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# Chapter 1

## Introduction

This dissertation will explore the S on ESG (Environmental, Social and Governance), focusing on gender equality and more specifically on the gender pay gap which is an unfortunate reality throughout the world.

The gender gap measures a broader concept than pay gap and/or discrimination and comprehends a large number of inequalities between women and men in the labour market, namely horizontal and vertical segregation, a higher proportion of women in atypical and precarious jobs than men, a double burden of paid work and unpaid work within the family (mostly assumed by women) and gender stereotypes (European Commission, 2022). Also, the principle of equal pay is part of the European Treaties (article 157TFEU) since 1957.

The gender pay gap is the average difference between women's and men's salaries in gross hourly earnings for all employees, for the type of activity or occupation. As an indicator, the Gender pay gap aims to capture the difference between men's and women's overall position in the labour market by measuring the different wage rates regardless of the number of hours worked.

This is the dissertation's focus by exploring the magnitude of the gender pay gap and possible solutions and their respective social impact in the European Union countries.

The International Labour Organization (ILO) Global wage report for 2014-2015 shows that the gender pay gap can be divided into an “explained” part, which is accounted for by observed human capital and labour market characteristics, and an “unexplained” part, which captures wage discrimination and includes characteristics (e.g. having children) that should in principle do not affect wages. The report shows that the unexplained component substantially increases the pay penalty for women and if eliminated it would close the gap in about half the developed countries.

Moving forward with the study, it is worth mentioning that the far largest part of the gender pay gap remains unexplained in the EU and cannot be linked to the worker or workplace characteristics such as education, occupation, working time, or economic activity of the employer (European Commission, 2022). However, women do tend to be concentrated in certain professions and industries that typically pay lower wages and also tend to occupy fewer leadership positions and are more often employed part-time than men. These are a few factors that contribute to the differences in pay, as will be further addressed.

Also, it is expected that more transparency in pay would help uncover unjustified gender-based pay differences for equal work or work of equal value and help victims of pay discrimination to seek redress and enforce their equal pay rights (European Commission, 2022).

The same source accounts for a gender pay gap in the EU in 2019 at 14.1%, which has only changed minimally over the last decade (EU27 data). The gender pay gap affects pensions as figures from the Observatory of the European Charter (2013) show that women receive pensions that are, on average, 39% lower than men’s, and women over 65 are, to a larger extent, more at risk of poverty than men.

The Center for European Policy Studies (CEPS) Policy Insights edition for March 2022 (Alcidi and Ounnas, 2022) states that closing the gender pay gap is above all an issue of fairness and equality, especially when women are part of vulnerable groups, but also one of economic inefficiency. Wage differences unjustified by the fundamentals negatively affect the allocation of resources and the equilibrium reached by the economy. For instance, lower wages for women are likely to affect their labour market participation and imply a suboptimal use of productive resources available in the economy. Unjustified wage differences can have negative effects on workers' productivity (Breza et al, 2016).

As per UN Women (the United Nations entity dedicated to gender equality and the empowerment of women), the core argument for closing the gender pay gap is social justice for half the world's population. When women are reliant on their own wages for subsistence, they often fall into poverty, not able to provide a decent standard of living either for themselves or their children. Women should have the same rights as men to develop their capabilities but pay discrimination limits their choices and impacts on their lifetime earnings.

This is the starting point of the dissertation and will evolve from presenting the history and current status of the gender pay gap to the identification of possible solutions and their respective implications as well as their future economic and social impact in the European Union.

In this study, we will analyse what drives the gender pay gap, elaborate on potential solutions as well as explore the potential impacts of closing it. The goal is to critically analyse what is behind the gender pay gap and what could possibly be a path for closing it in the EU.

To do so, we will start by analysing the reasons behind the gender pay gap, detailing current EU policies on the matter, and further progressing to a conclusion on the current status of the gender pay gap in the EU. Following that, we will explore what's next for the gender pay gap by listing possible solutions

for Governments, Companies, and Social partners, leading to an exploratory critical analysis of the potential future impacts, social, and economic, of closing the gender pay gap in the EU.

Several drivers contribute to the persistent gender pay gap, namely Sectoral segregation, Unequal share of paid vs. unpaid work, Career choices influenced by family responsibilities, Women's predominant choice for Part-time work, the existence of Fewer and lower-paid female managers, and gender discrimination. Data from 2019 put the gender pay gap in the EU at 14,1%, as previously stated, and closing it has since remained a priority for the European Commission.

The outcome of this analysis is a framework of possible actions and initiatives that can be taken into course by Governments, Companies, and Governments together with social partners, as well as the main conclusion that closing the gender pay gap would positively impact the economy

Closing the persistent gender pay gap in the EU would likely contribute to reducing poverty rates among women (European Institute for Gender Equality, 2019). Also, an increase would be expected to occur in the productive capacity of the economy, leading to a respective increase in the level of employment (EIGE, 2019).

# Chapter 2

## The reasons behind the gender pay gap

### 2.1. Drivers of the gender pay gap

#### 2.1.1. Sectoral segregation

Women are excessively represented in particularly low-paying sectors, such as care, sales, or education, which accounts for 30% of the total gender pay gap as per CEPS Policy Insights (Alcidi and Ounnas, 2022). It also addresses the systematic tendency of highly feminised jobs being undervalued.

Sectors and occupations in which women are more concentrated usually offer more precarious employment conditions and lower pay.

According to a study on the years between 1995 and 2000, specifically in Portugal sectoral segregation was a relevant driver of the gender pay gap as the sectors with the highest contribution to its increase were sectors highly feminised (e.g.: textile and services) or had a very high concentration of male workers (e.g.: transports). The opposite occurred with Finance, which had the lowest observed level of gender segregation, contributing to reducing the gender pay gap (Gonzalez, Santos, and Santos, 2005).

An analysis per sector on the countries where this data is available, shows an interesting pattern. In all of those, with the exception of Belgium and Spain, the gender pay gap in financial and insurance activities is higher than in the business

economy as a whole. In 2020, the gender pay gap in financial and insurance activities varied from 6.4 % in Belgium to 38.9 % in Czechia. Within the business economy as a whole, the lowest gender pay gap was recorded in Slovenia (7.4 %) and the highest in Latvia (23.1 %) (Statista, 2022).

### 2.1.2. Unequal share of paid vs. unpaid work

Women have more work hours per week than men but they spend more hours on unpaid work such as childcare or housework, a fact that might also affect their career choices. This leaves less time for paid work. Globally, women account for 75% of all unpaid care work and spend 2.5 times more time on these tasks than men. Also, women interrupt their careers and work shorter hours, therefore spending 11 hours a week less on paid work than men (ITUC, 2019)

When both unpaid and paid work is considered, women work more hours per week than men. This is why the EU promotes equal sharing of parental leaves, an adequate public provision of childcare services, and adequate company policies on flexible working time arrangements (European Parliament, 2022).

### 2.1.3. Career choices influenced by family responsibilities

Women are also much more likely to be the ones who have career breaks, namely to take care of children and old or sick relatives, leading to absences from the labour market which can have long-term negative consequences for their earnings. These gender-related differences in the division of family responsibilities can impact women's career progression, their opportunities to access paid work and full-time employment as well as their pay prospects (European Parliament, 2022).

In 2018, a third of employed women in the EU had a work interruption for childcare reasons, compared to 1.3% of men. Some career choices made by female

workers are influenced by care and family responsibilities (European Parliament, 2022).

#### 2.1.4. Part-time work

According to European Parliament (2022) based on data from 2020, almost one-third of women (30%) work part-time, while only 8% of men work part-time. However, working part-time would explain fewer monthly earnings – but not fewer hourly earnings.

In line with the previous topic, to address family needs – either childcare or looking after older family members, women tend to adjust work schedules, namely by working part-time to take on those responsibilities.

Due to the unequal distribution of family responsibilities, and according to the European Institute for Gender Equality (EIGE, 2019), 31% of working women in the EU aged 20 to 64 work part-time, while the equivalent statistic for men is only 8% (German's Presidency of the Council of the European Union).

Moreover, with this unequal distribution especially with the birth of the first child, many mothers switch to part-time jobs, which are generally lower-paid per hour than full-time jobs. Working part-time may also negatively affect women's careers in terms of progression, as part-time jobs accumulate less human capital and require less time in the workplace, which can be quite relevant to establish the required presence to be considered for promotions (Nahapetyan, 2021).

#### 2.1.5. Fewer and lower-paid female managers

Women also hold fewer executive positions. In 2020 they made up a third of managers in the EU and accounted for less than 50% in all EU countries. Considering the gap in different occupations, female managers are at the greatest disadvantage as they earn 31% less per hour than male managers, according to 2018 data (European Parliament, 2022).

The position in the hierarchy influences the level of pay: less than 8% of top companies' CEOs are women. Nevertheless, the profession with the largest differences in hourly earnings in the EU were managers: 23 % lower earnings for women than for men (Lean In, n.d.).

In terms of equal pay, in 2019 female managers earned 23% less than their male counterparts in similar positions (Victorelli, 2021).

The fact that the gender pay gap is significantly higher than the average (14.1%) for managers is certainly a key issue that should be deeply analysed while setting goals for attempting to close the gender pay gap.

### 2.1.6. Gender discrimination

The concept of gender discrimination addresses differences in pay when men and women earn different amounts for doing the same job.

Gender discrimination, both direct (i.e., explicitly paying an employee less because of gender) and indirect (i.e., unconscious bias), remains an issue and a major contributor to the gender pay gap. It continues to be the largest factor behind the gender pay gap in many countries (ITUC, 2019).

Gender discrimination impacts both progression and pay (ITUC, 2019) with cultural bias, societal assumptions, and a lack of progress in workplace design all contributing to the gender pay gap (Timewise, 2018).

### 2.7. Other factors

Even though young women in general are better educated than young men (in 2012 83 % of young women reached at least upper secondary school compared to 77,5% of young men), the gender pay gap remains. Moreover, women

represent 60 % of the university graduates in the EU (Observatory of the European Charter, 2013).

As such, level of education or skill does not provide in itself a valid explanation for hourly pay gaps, since women tend to earn less than men for the same job.

## 2.2. The European Commission's view on the reasons for the gender pay gap

The European Commission highlights multiple key factors which lead to the resulting inequality in women's pay (per hour on average) as compared to men within the EU. These factors fall under the categories of sectoral segregation, work-life balance, work position, and discrimination. The first of these denotes the lack of women represented in higher-paying jobs, such as the STEM (Science, Technology, Engineering, and Mathematics) sector. And even so, and following the previous topic, female managers still earn less than their male counterparts. The second, that of the 'work-life balance', refers to the tendency of women to spend fewer hours than men in paid work, but more hours than men in unpaid work. The EU aims to address this issue by promoting a balance in parental leave. The third factor is work position hierarchy, in which women are consistently absent in top positions within companies, representing less than 10% of CEOs in top companies. Furthermore, female managers earned 23% less than their male counterparts in similar positions. Finally, despite including the principle of anti-discrimination on grounds of gender in the Treaty on the Functioning of the European Union (1957), discrimination still plays a role in promoting inequality (Vitorelli, 2021).

## 2.3. Gender pay gap in the European Union

The variability in the magnitude of the gender pay gap is closely related to the institutional context, pointing to different reasons behind it and policy implications (Cukrowska-Torzewska and Lovász, 2020).

Southern EU countries present a lower gender pay gap and motherhood penalties. Short leaves, low childcare coverage, and traditional norms do not support maternal labour supply, but mothers who work do not face a pay penalty.

The low gender pay gap that is observed in these countries is a consequence of a positive gap between mothers and childless women. The fact that mothers do not receive lower wages than childless women means that women's average wages are not reduced due to motherhood. The motherhood gap does not arise because of women's selection to work and motherhood. Due to short leaves, mothers who return to work do so soon after having their child, that it does not lead to a pay disadvantage for mothers.

Western EU countries with higher childcare coverage, moderate length leaves, supportive norms, and flexible jobs have relatively high maternal employment, and mothers are not faced with significant wage penalties. The highest motherhood penalties are found in CEE countries, where long leaves, low childcare availability under age 3, and preferences for within-family care can result in long absences from the labour market. In all countries, regardless of cultural norms and policies, there is a high positive family gap among men, which drives men's average wages up and leads to gender wage inequality.

Also, for Western EU countries (and Slovenia) the magnitude of the motherhood wage gap varies, but it is not a significant contributor to the overall gender pay gap. More importantly, motherhood wage penalties that do not stem from observable differences between mothers and childless women and selection

turn out to be mostly positive, which reflects a relative wage advantage of mothers over childless women. This is likely due to family policies, cultural norms, and labour market characteristics that allow mothers to better reconcile work and family obligations, leading to lower skill depreciation, productivity decline, and employer discrimination. The gender gap in these countries is mostly due to the high positive pay gaps between men that have children and childless men, which remain significant even after adjusting for the differences in observable characteristics and selection.

# Chapter 3

## EU policies - implementation and impact

### 3.1. History

The principle of equal pay between men and women for equal work of equal value is one of the EU's founding principles. It was included in the 1957 Treaty of Rome and is now enshrined in Article 157 of the Treaty on the Functioning of the European Union (TFEU). Article 157 states that "each member state shall ensure that the principle of equal pay for male and female workers for equal work or work of equal value is applied". Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast) states in its article 4 that "where a job classification system is used for determining pay, it shall be based on the same criteria for both men and women and so drawn up as to exclude any discrimination on grounds of sex".

Despite the legal framework being 65 years old the effective implementation and enforcement of this principle remains a challenge.

The gender pay gap was equal to 14 % on average for the EU27 in 2018, after a decade of very limited progress and preliminary evidence that it could have actually increased during the Covid-19 pandemic (Alcidi and Ounnas, 2022).

Closing the gender pay gap remains a major issue to achieve gender equality. Therefore it is and should remain, a political priority at both the European and national levels. The gender pay gap costs Europe more than it can afford.

The European Commission has pledged to keep this issue, which continues to be a matter of great concern, high on its agenda. The European Commission's Strategy for Equality between Women and Men (2010-2015) was set out to close the gender pay gap significantly by using both legislative and non-legislative means. Gender equality was at the heart of the new Europe 2020-2025 Strategy (European Commission, 2020).

### 3.2. Recent events

In 2019, President Ursula von der Leyen— the first woman at the helm of the EU executive — who set gender equality among the six priorities of her Commission, announced that the Commission would bring forward new binding pay transparency measures. Binding rules on pay transparency were one of the flagship policies announced. In March 2021, the Commission published a proposal for a Directive to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.

The proposal is grounded on the idea that lack of pay transparency is one of the reasons for a persistent pay gap and one where EU legislative action is both possible and sensible.

The Commission notes that the EU's gender pay gap — defined as the difference in what men and women earn for performing equal work — remains high at 14.1% on average in the EU, and that “pay transparency allows workers to detect and prove possible discrimination based on sex.”

The principle of equal pay for equal work has no opposition and the broad benefits for employers and workers are largely recognised. However, strong differences in views between the social partners remain on how to make it possible. One operational problem is the lack of legal concepts for 'pay' and 'work of equal value. These concepts, which are central in the directive, are not defined uniformly across national legislation, and as such, uncertainties surrounding interpretation and application remain.

Accounting for the burden that the lack of clear-cut parameters could generate in terms of reporting for SMEs, the Commission's proposal limits gender pay reporting to organisations with over 250 staff. This implies that in the EU, about a third of European employees would be covered by reporting obligations. In practice, this share is much lower in countries where the economic fabric is dominated by SMEs (e.g. Greece, Cyprus, and Italy) and where the pay gap is likely to be higher. Reporting, however, is not the only transparency obligation envisaged. According to the proposal, employers should inform job applicants about a job's initial pay level or range, based on objective, gender-neutral criteria. Once recruited, employees are entitled to easily accessible information about the criteria used to determine pay levels and career progression, and the criteria must be gender-neutral. Employees are also entitled to receive information about average pay levels, broken down by sex and job categories, to assess their individual pay and possible gaps.

The proposal for a Pay Transparency Directive can positively affect the gender pay gap. This can occur through its impact on within-firm wage dispersion. As women tend to extract a lower share of the surplus in high wage premiums firms (the bargaining effect), it could be expected to change as employees learn about their colleagues' average wages. Moreover, the knowledge of existing inequalities could empower and incentivise women to negotiate for wage increases and might force employers to review and adjust their pay scale.

Furthermore, public access to wage data and the exchange of information between employees of different companies could influence between-firm wage dispersions. A worker learning about better wage prospects in a competing firm could ask for a pay raise or try to switch to firms offering higher wages for the same type of work.

Currently, only 10 EU countries — Austria, Belgium, Denmark, Germany, Spain, Finland, France, Italy, Portugal, and Sweden— have adopted legal frameworks on pay transparency. Two more — Ireland and the Netherlands — are thinking of adopting them.

The Commission’s draft proposal includes several obligations for companies. It would give any employee the right to demand information from their employer on how their salary compares to the average pay level of workers performing the same or comparable. It also would prohibit prospective employers to ask candidates about their current earnings, and gives job seekers a right to know salary expectations when heading into an interview.

EU countries would have to establish tools classifying the value of work according to criteria such as skills, education, type of task, and on-the-job performance. These in turn should help employers design gender-neutral pay-setting systems. Companies with more than 250 people, would require employers to provide detailed yearly information on the gender pay gap. However, EU governments may decide to centrally collect the information from employers “to limit the possible burden [of] pay reporting,” the Commission wrote.

If this exercise shows a gender pay gap larger than 5% for workers doing the same tasks, employers have to carry out a “joint pay assessment” in cooperation with workers’ representatives and redress any unwarranted pay differences, according to the proposal.

It is important to note that in the EU, several Member States have already implemented pay transparency measures, which often go beyond the measures outlined in the proposed Pay Transparency Directive. Whereas there is an undeniable benefit in harmonising such rules across EU Member States, more substantial effects should be expected only in countries that do not have any pay transparency legislation on their statute books yet. Overall, if one considers the gender improvements along all dimensions that typically explain the gender pay gap and the persistence of the gap, it seems sensible to explore new factors. Impacting firms' internal dynamics and between-firm wage dispersion, can help reduce the gap, even if operational constraints could limit its overall effectiveness.

However, despite the long history of European equal pay legislation, not a single country in the European Union has managed to establish equal pay for women and men. Women are still paid less than their male counterparts and are thus facing perpetuating financial and economic inequalities. The strong reliance on the individual-rights-based enforcement approach has done little to secure equal pay. The new proposed directive by the European Commission aims to strengthen the application of the equal pay principle through enhanced enforcement mechanisms for Member States and employers, and enhancing pay transparency (Alcidi and Ounnas, 2022).

On a separate note, successful developments have occurred in relation to non-financial reporting. Directive 2014/95/EU - Non-Financial Reporting Directive (NFRD) sets the rules on the disclosure of non-financial and diversity-related information by large public-interest companies with more than 500 employees. (European Commission, 2020). The scope of the Directive comprises environmental matters, social matters and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards in

terms of age, gender, educational and professional background (European Commission, 2020).

On 21 April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) amending the existing reporting requirements of the NFRD. This amendment the number of companies under its scope, and introduces more detailed reporting requirements (European Commission, 2020).

Moreover, with this recent change, a large number of companies are covered by the amended Directive and as therefore the reporting year of 2022 shall bring news to the market and society on the matter of diversity.

# Chapter 4

## Gender pay gap - where are we now?

### 4.1. Current status

The gender pay gap varies across Europe, ranging from 2.5% to 30%. The majority of countries have a wider gender pay gap in the private sector, compared to the public sector. However, austerity measures, wage cuts, and freezes, ongoing privatisation, contracting out, public underinvestment, and individualisation of wages, which is not part of a collective agreement, is jeopardising equality gains for public sector workers.

Men's earnings are higher in every occupation group, however, the pay gap is wider in white-collar male-dominated occupations. Across sectors, the higher gap is in the financial and insurance sector, the business economy, and the manufacturing industry.

The pay gap tends to increase with age and it particularly affects women with children. The level of education obtained, hierarchical responsibilities, years of service, migrant status, and ethnic background still also impact negatively the gender pay gap (ETUC, 2015).

As previously stated, it is a recognized priority to establish and enforce equal pay and anti-discrimination legislation, and to do so there is a need for a legal framework for ensuring equal pay for work of equal value as well as to provide legal recourse to victims of pay discrimination.

According to a UN report, 59 countries had passed laws stipulating equal pay for work of equal value by 2014. Moreover, there are international labour standards in the area of equal pay and non-discrimination. Still, the International Labour Organization (ILO) Committee of Experts has acknowledged that while many countries have ratified ILO Convention on equal remuneration for work of equal value, a smaller number of countries have actually passed implementing laws or have applied the principle of 'equal pay for work of equal value' in law and in practice (ITUC, 2019).

Nonetheless, and considering that the gender has solely marginally declined even with EU policies in force and specific legislation in several countries, the gender pay gap in the EU is still 14.1% regardless of all the efforts made.

Given this magnitude, there is still a long journey ahead so that equal pay is achieved in the EU and the continued dedication of the European Commission to address this issue is key for reaching the actually close of the gender pay gap.

In 2020, across Member States, the gender pay gap varied by 21.6 percentage points, ranging from 0.7 % in Luxembourg to 22.3 % in Latvia (Statista, 2022).

## 4.2. Private matter vs. institutional commitment

There has been a strong focus on the individual-rights-based approach; as unequal pay is primarily seen as a private matter that needs to be tackled by the person affected by it. In parallel, there is an overall lack of institutional commitment on the part of public authorities, employers, and social partners to take the action that is necessary to solve the structural discrimination engraved in the gender pay gap (Senden, 2021).

### 4.3. Gender pay gap – until when?

In Germany and the Czech Republic, where the gaps exceed 20%, it will take until 2121. According to ETUC data, only in Belgium, Luxembourg, and Romania (where wages are very low), equality is expected to be achieved over the next decade. In Denmark, the Netherlands, Austria, or Sweden, for instance, it would be after 2050 (Nahapetyan, 2021).

According to 2020 data from the World Economic Forum, although progress has been made in improving women's health and girls' access to education, economic gender gaps have been much slower to close, with an estimate of over 250 years until the world reaches economic gender parity.

### 4.4. Covid-19 effect on the gender pay gap

The pandemic had a significant impact on the gender pay gap as caregiving of women in the workforce increased towards historic caregiving responsibilities. More mothers than fathers felt that they needed to reduce their work hours (34% vs. 26%) or even turn down a promotion (9% vs. 3%) to balance work and parenting responsibilities during the Covid-19 pandemic (Gitis, 2021).

### 4.5. Equal Pay Day

The European Union has also established an 'Equal Pay Day' to raise awareness through activities designed to demonstrate the negative consequences of a large pay gap between men and women. While the European Union celebrates this on November 10, many EU member states also have their own

national Equal Pay Days. The significance of this date is that women earn 14.1% less than men on average amounting to about two months of salary. November 10th signifies the hypothetical day when women stop getting paid for their work until the end of the year, whereas men are still being paid (Victorelli, 2021).

## 4.6. Portugal

The following analysis addresses the measures that have already been implemented in Portugal (L&E Global, 2022).

Law no. 60/2018, was published in Portugal approving measures to reinforce equal payment across gender for equal work or work of equal value. This law amended a previously existing one, establishing annual reporting duties upon employers on equal opportunities between men and women. It also updated provisions contained in 2009 legislation and the one governing the employment public body for non-discrimination – Comissão para a Igualdade no Trabalho e no Emprego (“CITE”).

The current rules (as of August 21, 2019) allow any employee or union representative to request an opinion from CITE on the existence of gender-based pay discrimination. The request must be submitted in writing and contain a duly substantiated allegation of pay discrimination.

The employer is then notified to speak up and provide information on its remuneration policy, and criteria underlying the calculation of the remuneration of the applicant and of the employee(s) identified in the request for an opinion, with the CITE to deliver a technical proposal for an opinion. If the employer exercises its response rights and CITE concludes that there are indications of discrimination, the employer will be given a 6 months period to justify such

evidence or demonstrate the adoption of corrective measures to correct differences.

CITE will give a final, binding opinion following the expiry of the above-referenced period or to issue a proposal for an opinion, depending on whether the employer has, or has not, made available information concerning the remuneration policy, and the criteria used for the calculation of the applicant's remuneration and the employee(s) who believes is being discriminated. CITE's final opinion is notified to the labour authority (ACT), to fine the employer for gender-based discrimination, which qualifies as a very serious offense under the Portuguese Labour Code (article 25(8)).

Since the entry into force of Law no. 60/2018, there has still not been significant litigation regarding equal pay.

The Single Report and Duty to Inform Employees, drawn up annually by companies, must now include nominative information, segregated by gender. Such information must also be made available to employees. In the first half of each calendar year, the competent service of the Ministry of Labour provides statistical information on pay differences by gender (a general barometer and by industry, and a balance sheet by company, profession, and level of qualification). This information is also forwarded to ACT. Companies with gender pay differences must submit, within 120 days, an assessment plan if and when notified by the ACT (within 60 days upon receipt of the statistical statement).

Failure to submit and adopt an evaluation plan as described above, and to communicate the results thereof, constitutes a serious administrative infraction that, in addition to the applicable fines, can also involve an ancillary sanction of temporary banning from public tenders for a period of up to two years.

# Chapter 5

## What's next for closing the gender pay gap?

### 5.1. Solutions for Governments

According to World Bank data from 2018, Public sector employment accounts for about 45% of all formal employment in low-income countries and 20-40% in middle-income countries (Alcidi and Ounnas, 2022).

#### 5.1.1. Adopt best practices and lead by example

Following the premise above, a proposed starting point for Governments as major employers globally, would be to adopt best practices concerning gender equality, specifically in terms of pay in the public sector, leading by example and positively influencing the private sector.

#### 5.1.2. Approve and enforce a minimum wage and equal pay

As previously stated, a large portion of low-wage workers is women. By setting a minimum living wage, Governments could take the first step to allow workers to cover essential living costs (namely food and housing). According to World Bank data from 2015, the existence of a minimum wage has shown improvements in reducing wage differences across demographic groups in countries such as Brazil and Costa Rica (Alcidi and Ounnas, 2022).

Concerning equal pay, it is suggested by ITUC, 2019 that Governments should have in place strong equal pay and anti-discrimination legislation, combined

with robust control and enforcement mechanisms, all in line with international labour standards and best practices.

### 5.1.3. Promote pay transparency standards

Research shows that there is a shortening of the gender pay gap when companies are required to disclose it. As an example, a report on pay transparency legislation in Denmark identified the reduction of the gender pay gap by approximately two percentage points (Bennedsen et al, 2019).

### 5.1.4. Roles' diversification

As discussed above, the largest pay gap is not observable when comparing women's and men's earnings for similar or comparable jobs. The gender pay gap worldwide is mainly driven by occupational gender segregation as women and men are concentrated in different sectors and positions (Blau and Kahn, 2017). A clear example of such is the observable likelihood that women are more likely to be nurses while men doctors. Similarly, women are more likely to be domestic workers and childcare providers, while men increase in numbers as (often better-compensated) teachers and professors for older students (Alcidi and Ounnas, 2022).

### 5.1.5. Invest in social protection and parental leave

A major issue related to the gender pay gap is the split between paid and unpaid work as globally women take on 75% of all unpaid care work and spend 2.5 times more time on these tasks than men (ITUC, 2019). Consequently, women interrupt their careers and work shorter hours, resulting in them spending 11 hours a week less on paid work than men.

The so-called "motherhood penalty", which is also a component of the gender pay gap, is driven by unconscious bias women face in seeking to re-enter the

workforce after caring for children, as well as while negotiating compensation (Alcidi and Ounnas, 2022).

As a way to encompass this trend, Governments could improve social protection schemes to account for the financial penalties that women encounter in taking on unpaid care work. A few examples of these would be expanding low-cost or free childcare services, as well as for the elderly and people with disabilities.

This effort would comprise a major investment that would allow redistributing of the unpaid care work that keeps many women out of the labour market, in part-time positions, or in precarious work (Alcidi and Ounnas, 2022).

## 5.2. Solutions for Companies

As part of the ecosystem, businesses should also be accounted for implementing equal pay and overcoming gender bias and not only for the social benefit of such but also for the economic opportunities it may bring. Below are some suggested actions companies could adopt to address and effectively close gender pay gaps.

Moreover, in 2020, and for the majority of the EU countries where this data was available, the gender pay gap was higher in the private sector than in the public sector. This may be due to the fact that, in most countries, pay in the public sector is determined by transparent wage grids that apply equally to men and women. The gender pay gap in the private sector varied from 8.5 % in Belgium to 22.6 % in Germany, and in the public sector from -0.6 % in Poland to 18.4 % in Latvia (Statista, 2022).

### 5.2.1. Ensure equal pay

While recruiting or analysing pay, performance, potential, and promotion, companies should be supported by apps or software that reports on metrics for the purpose of gender pay gap analysis. Also, the outcome of these reports should be disclosed to measure progress over time and to boost the trust of the employees and the public.

Businesses could also opt to step by the Governments' side and explore opportunities to work together in advocating for stronger and binding legislation on gender equality. As an example, according to [include source], in 2017 Fujitsu and Mercer did so when they provided support and guidance on UK Gender Pay Gap legislation (Alcidi and Ounnas, 2022).

### 5.2.2. Overcome bias

According to CEPS Policy Insights (Alcidi and Ounnas, 2022), gender bias in recruitment processes is an old issue, especially in men-dominated sectors (such as financial services) as these usually are either gender-biased or rely heavily on networks, placing women at a disadvantage. According to a study of British recruitment advertisements, even the use of gender-biased wording in ads makes women less likely to apply. The same study accounted for over 450,000 words out of the 77,000 advertisements reviewed were thought to carry a gender bias, with ads for senior-level positions skewed towards male applicants (Totaljobs, 2017).

In the same sense as the recruitment issues, gender-neutral job evaluations and classifications to overcome bias in promotions is required, as well as, once again, increasing transparency on all criteria and decisions concerning pay as well as regularly disclosing data on wage levels for all categories of employment split by gender (ITUC, 2019).

### 5.2.3. Implement gender-neutral and family-friendly policies

Another major contribution to closing the gender pay gap that could be attributed to companies would be the implementation of gender-neutral paid parental leave policies that extend beyond legal requirements as a way of supporting the growth and development of all employees—including parents and caregivers.

Together with measures and policies proposed by Governments, companies should also take part in encouraging men to also take on parental leave, getting over the misconception that it is only applicable to mothers. In this sense, there is evidence suggesting that there is a positive relationship between paid parental leave and employee retention for both high and low-wage jobs (Nandi et al., 2018).

Taking the example of Google and Accenture, both companies extended their paid parental leave policies and attrition among mothers decreased significantly (Stroman et al, 2017). Also, and from a purely economic perspective, increased retention and the ability for parents to return to work after their parental leave contributes to household income and savings, and for businesses allows savings in terms of time and money as it surpasses the need to train new employees (Nandi et al., 2018).

### 5.2.4. Commit to gender balance in leadership and workforce

Commitment towards diversity and gender balance, including in top-level management, is key to closing the gender pay gap. According to 2016 data from the National Centre for Women & Information Technology, the lack of women in leadership roles makes it challenging for women to access informal peer

networks for advice and support as well as to navigate unwritten company rules and norms. This, therefore, leads to women not embracing a sense of belonging in more men-dominated workplaces—particularly in STEM—and also generates feelings of isolation, which leads to high attrition rates (Alcidi and Ounnas, 2022).

### 5.2.5. Bet on transparency and disclose salary ranges for new positions

For recruitment purposes, companies could disclose a salary range for the new opportunities and therefore provide transparency and trustworthiness, especially for those who have faced discrimination in the past. This will also stimulate negotiation skills for those candidates.

However, it should be noted that although women are negotiating their salaries now more than ever, studies show that men are still more likely than women to negotiate when there is no transparency around salary ranges or negotiation policies (Leibbrandt and List, 2012). When transparency increases, this gap shortens and even reverses (Stevens and Whelan, 2019).

### 5.2.6. Training

As is the case for so many other matters, adequate training is key to improving knowledge and negotiating skills that could be of assistance to closing the gender pay gap. ETUC members should continue to provide education and training for women and men delegates. Training courses on gender mainstreaming, gender-neutral criteria for bargaining, what to include in negotiations, and how to bargain to reduce inequalities in pay should target negotiators, members of collective bargaining teams, unions' officials, and workplace representatives (ETUC, 2015).

Little action is generally taken to enhance knowledge and training to ensure gender-neutral job classification and evaluation systems, to actively monitor the implementation of the equal pay rule, and to provide for effective enforcement mechanisms, including sanctions.

### 5.2.7. Reduce the impact of parental leave on the parents' career

When informing supervisors or managers of required parental leave and when returning to work after it, companies mustn't issue lower scores in evaluations to these women.

It could also be presented to women on the way to parental leave the possibility of following the development of projects voluntarily during their absence, namely by organizing regular meetings with supervisors after the child's birth (Observatory of the European Charter, 2013).

Upon the mothers' return to work, companies could adopt as a best practice to provide them with a summary of the tasks performed in their absence and communicate any relevant changes and also make managers available for a follow-up meeting to facilitate their return.

## 5.3. Governments and social partners' role

A joint effort of Governments and social partners comprises a third part of the proposed solutions for closing the gender pay gap.

### 5.3.1. Addressing sector differences

As the overrepresentation of women in part-time jobs is one major component of the gender pay gap, offering fewer part-time jobs in sectors predominantly

fulfilled by women such as care and social services as well as betting on reducing differences in salary between technical sectors (dominated by men) and administrative, social, cultural and health care sectors (dominated by women) would be part of the path to reducing gender pay gap (Observatory of the European Charter, 2013).

As it is known that specific sectors, in general, low-paying ones, contribute largely to the gender pay gap, Governments and social partners could undertake efforts to tackle gender segregation across sectors and job categories, implementing measures such as setting quotas and/or establishing targeted initiatives to train, recruit and retain women in underrepresented sectors and jobs (ITUC, 2019).

### 5.3.2. Collective bargaining

An additional contribution could be assigned/tasked to social partners in the matter of collective bargaining on wages, with collective agreements recognized as legally binding (ITUC, 2019).

# Chapter 6

## Potential economic and social impacts of closing gender pay gap

### 6.1. Economic impact

Closing the persistent gender pay gap in the EU would likely contribute to reducing poverty rates among women (EIGE, 2019). Also, an increase would be expected to occur in the productive capacity of the economy, leading to a respective increase in the level of employment (EIGE, 2019).

Moreover, increasing female participation in the labour force can also reap economic rewards. As a global example, the IMF has estimated that if as many women worked as men, GDP would increase by 5% in the U.S., 9% in Japan, 12% in the United Arab Emirates, and 27% in India (Schulze, 2018).

Naturally, closing the gender pay gap will benefit women, but could also improve business performance, strengthening the global economy (Noland, Moran, and Kotschwar, 2016). The gender pay gap is a relevant part of and contributes to perpetuating gender inequality, decreasing women's independence and also their bargaining power (Wodon and De le Briere, 2018).

A 2017 study by the Institute for Women's Policy Research found that the poverty rate of working women would be reduced in half if gender pay would not exist (Hegewisch, 2018).

ActionAid, an international organization that focuses on reducing poverty, estimated that equal pay would boost women's earnings in developing countries by \$2 trillion (ActionAid UK, 2022).

The IMF also found that adding more women into senior management roles or on corporate boards can directly and positively impact companies' return on assets (Schulze, 2018).

## 6.2. Social impact

In several countries evidence shows that increasing the share of household income controlled by women and increasing their ability to earn income independently also benefits families, especially children, by increasing investment in education, health, nutrition, and housing (Alcidi and Ounnas, 2022).

Excluding the economic-related impacts of closing the gender pay gap and focusing solely on the social ones, it would contribute to increasing women's confidence and allow them to consequently increase responsibility levels at work and progress to leadership positions (EIGE, 2019).

Miranda Brawn, Director of Legal and Transaction Management at Daiwa Capital Markets stated that "businesses have learned that they can draw upon diversity to strengthen their bottom line" (Schulze, 2018).

Miranda Brawn founded The Miranda Brawn Diversity Leadership Foundation in the U.K. and has also stated that a diverse workplace contributes to a more creative, innovative, and productive workforce - "diversity is a key ingredient to growing a strong and inclusive economy that is built to last." (Schulze, 2018)

# Conclusion

Although the principle of equal pay has been part of the European Treaties (article 157TFEU) since 1957, EU data from 2019 indicates that the gender pay gap remains at 14.1% in the EU. This has been a persistent issue in the EU, and also throughout the world.

The gender gap measures a broader concept than the pay gap and/or discrimination and comprehends a large number of inequalities between women and men in the labour market

The gender pay gap is the average difference between women's and men's salaries in gross hourly earnings for all employees

The first step of this analysis was to identify the main drivers of the gender pay gap. The conclusion was that there is a comprehensive list of them, starting with sectoral segregation which means that women are overly represented in specific low-paying sectors such as care, sales, or education (Alcidi and Ounnas, 2022). Beyond women's profession, it has been observed that the percentage of unpaid work that women take on is significantly higher than men, amounting to 11 hours a week that women spend on unpaid work (ITUC, 2019). That is the case even considering that the EU promotes an equal share of parental leaves as well as an adequate offer of public childcare services and companies' policies in accordance (European Commission, 2022).

Also concerning the labour market behaviour, as per European Parliament (2022) data from 2020, 30% of women work part-time while only 5% of men do so. This is a consequence, once again, of the unequal share of unpaid work namely related to childcare or looking after the elderly. It also should be noted that working part-time reduces opportunities for promotions as less time is spent in the workplace. Women also hold fewer executive positions (less than 8% of

top companies' CEOs are women) and their position in the hierarchy influences the level of pay (Lean In, n.d.).

Moving on to other factors, gender discrimination is the largest one comprising the gender pay gap in many countries (ITUC, 2019). Gender discrimination impacts both progression and pay (ITUC, 2019) with cultural bias, societal assumptions, and a lack of progress in workplace design all contributing to the gender pay gap (Timewise, 2018).

The European Commission remains committed to addressing the issue of the gender pay gap, betting on transparency as a major drive to closing it. Specifically, in Portugal, Law no. 60/2018 was published approving measures to reinforce equal payment across gender for equal work or work of equal value.

Moving forward with the analysis, several potential solutions to mitigate the gender pay gap and create a path to close it, either to be put into practice by Governments, Companies, and Governments together with social partners.

Starting with Governments, as public employment is certainly relevant in most countries (Alcidi and Ounnas, 2022), a first step would be adopting best practices and leading by example. Moreover, and a large percentage of low-wage workers are women, the existence of a minimum wage has shown improvements in reducing wage differences (Alcidi and Ounnas, 2022). Governments should have in place strong equal pay and anti-discrimination legislation, combined with robust control and enforcement mechanisms, all in line with international labour standards and best practices (ITUC, 2019).

As previously stated, and in line with the European Commission's vision, enforcing legislation on pay transparency would be relevant in reducing the gap as it has occurred in Denmark (Bennedsen et al, 2019). Roles' diversification is also key to addressing the specific driver of the gender pay gap related to sectoral segregation.

Another key measure identified for Governments is investing in social protection and parental leave as globally women take on 75% of all unpaid care work and spend 2.5 times more time on these tasks than men (ITUC, 2019).

Concerning companies, ensuring and enforcing equal pay is a key pillar to addressing the gender pay gap in several stages starting with recruitment and moving on to analysing pay, performance, potential, and promotion. In line with such, is the need to overcome bias as even the use of gender-biased wording in ads makes women less likely to apply (Totaljobs, 2017).

Another major contribution to closing the gender pay gap that could be attributed to companies would be the implementation of gender-neutral paid parental leave policies that extend beyond legal requirements as a way of supporting the growth and development of all employees. Also related to parental leaves, reducing its impact on the parents' career needs to be thoroughly addressed by companies, by adopting best practices and namely upon the mothers' return to work.

As the number of women in top positions is lower than men, companies should commit to diversity and gender balance in leadership. The topic of transparency is key throughout this study as it enhances trustworthiness, especially for those that have indeed been the target of gender discrimination before.

Adequate training may contribute to improving knowledge and negotiation skills that can become determinant while overcoming gender discrimination.

A joint effort of Governments and social partners comprises a third part of the proposed solutions for closing the gender pay gap, namely by addressing sectoral segregation and implementing measures such as setting quotas and/or establishing targeted initiatives to train, recruit and retain women in underrepresented sectors and roles (ITUC, 2019). Collective bargaining is

another suggestion as social partners can be key in working together with Governments to address closing the gender pay gap.

Finally, the closing gender pay gap in the EU would likely contribute to reducing poverty rates among women as well as to increasing the productive capacity of the economy, leading to a respective increase in the level of employment (EIGE, 2019). According to IMF data, and as a global example, if as many women worked as men, GDP would increase by 5% in the U.S., 9% in Japan, 12% in the United Arab Emirates, and 27% in India (Schulze, 2018).

The benefits for women of closing the gender pay gap are naturally recognised, however, it could also improve business performance and consequently strengthen the global economy (Noland, Moran, and Kotschwar, 2016). The failure in closing the gender pay gap perpetuates gender inequality, decreasing women's independence and also their bargaining power (Wodon and De le Briere, 2018). ActionAid, an international organization that focuses on reducing poverty, estimated that equal pay would boost women's earnings in developing countries by \$2 trillion (ActionAid UK, 2022)

Regarding the social impact of closing the gender pay gap, evidence shows that increasing the share of household income controlled by women and increasing their ability to earn income independently also benefits families, especially children, by increasing investment in education, health, nutrition, and housing (Alcidi and Ounnas, 2022). Equal pay would also contribute to increasing women's confidence and allow them to consequently increase responsibility levels at work and progress to leadership positions (EIGE, 2019).

Miranda Brawn (founder of The Miranda Brawn Diversity Leadership Foundation in the U.K.) believes that a diverse workplace contributes to a more creative, innovative, and productive workforce, claiming that "diversity is a key ingredient to growing a strong and inclusive economy that is built to last." (Schulze, 2018).



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