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REPORT

on equal pay for work of equal value
(2000/2312(INI))

Committee on Women's Rights and Equal Opportunities

Rapporteur: Miet Smet

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PROCEDURAL PAGE

At the sitting of 18 January 2001 the President of Parliament announced that the Committee on Women's Rights and Equal Opportunities had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on equal pay for work of equal value and the Committee on Employment and Social Affairs had been asked for its opinion.

The Committee on Women's Rights and Equal Opportunities appointed Miet Smet rapporteur at its meeting of 23 January 2001.

It considered the draft report at its meetings of 21 June 2001 and 11 and 12 July 2001.

At the latter meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Maj Britt Theorin, chairman; Anne E.M. Van Lancker, vice-chairman; Miet Smet, rapporteur; María Antonia Avilés Perea, Ilda Figueiredo (for Armonia Bordes), Geneviève Fraisse, Fiorella Ghilardotti, Heidi Anneli Hautala, Mary Honeyball, Anna Karamanou, Timothy Kirkhope, Rodi Kratsa-Tsagaropoulou, Astrid Lulling, Thomas Mann, Maria Martens, Christa Prets, Marieke Sanders-ten Holte, Amalia Sartori, Patsy Sørensen, Joke Swiebel, Lousewies van der Laan and Sabine Zissener.

The opinion of the Committee on Employment and Social Affairs is attached.

The report was tabled on 13 July 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on equal pay for work of equal value (2000/2312(INI))

The European Parliament,

- having regard to Articles 2, 3(2) and 141(1) and (3) of the EC Treaty,
- having regard to Articles 21(1) and 23 of the Charter of Fundamental Rights of the European Union
- having regard to Articles 2 and 23 of the Universal Declaration of Human Rights of 10 December 1948,
- having regard to the Equal Remuneration Convention 1951 (Convention No 100) and Recommendation No 90 of the ILO,
- having regard to Article 11(1d) of the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) of 18 December 1979,
- having regard to Section V of the Social Policy Agenda endorsed by the European Council at the summit in Nice on 7, 8 and 9 December 2000,
- having regard to the conclusions of the Presidency in respect of the Informal Meeting of Ministers for Gender Equality and Social Security at Norrköping on 21-23 January 2001,
- having regard to Council Directive 75/117/EEC of 10 February 1975 on the approximation of the laws of the Member States relating to the application of the principle of equal pay for men and women¹,
- having regard to the Council Decision of 20 December 2000 establishing a Programme relating to the Community framework strategy on gender equality (2001-2005) (2001/51/EC)²,
- having regard to its resolution of 21 September 1995 on the Fourth World Conference on Women in Beijing: Equality, Development and Peace³,
- having regard to its resolution of 13 February 1996 on the Memorandum on equal pay for work of equal value (COM(1994) 6 – C4-0084/1994)⁴,
- having regard to its resolution of 12 June 1997 on the Commission communication - A code of practice on the implementation of equal pay for work of equal value for women and men (COM(1996) 336 – C4-0460/1996)⁵,

¹ OJ L 45, 19.2.1975, p. 19

² OJ L 17, 19.1.2001, p. 22

³ OJ C 269, 16.10.1995, p. 146

⁴ OJ C 65, 4.3.1996, p. 43

⁵ OJ C 200, 30.6.1997, p. 193

- having regard to its resolution of 16 September 1997 on the Annual Report from the Commission: Equal opportunities for women and men in the European Union 1996 (COM(96) 650 – C4-0084/1997)¹,
 - having regard to its resolution of 15 November 2000 on the proposal for a Council decision on the Programme relating to the Community framework strategy on gender equality (2001-2005) (COM(2000) 335 – C5-0386/2000 – 2000/0143(CNS))²,
 - having regard to its resolution of 18 May 2000 on the follow-up to the Beijing Action Platform (2000/2020(INI))³,
 - having regard to Rule 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Women's Rights and Equal Opportunities and the opinion of the Committee on Employment and Social Affairs (A5-0275/2001),
- A. Whereas the wage gap between women and men in the EU is 28% on average and, after taking account of structural differences in relation to men and women on the labour market, including age, training, occupation and career pattern, women's pay is still 15% lower, on average, than that of men,
 - B. Whereas this wage gap of 15% on average can only be explained by value discrimination mechanisms, which is unacceptable,
 - C. Whereas both at European and national level legislation concerning equal pay for work of equal value has been laid down, which it is mainly up to the two sides of industry to implement; whereas, however, in many cases, the law has made only a partial contribution to equal treatment in terms of pay for female and male workers,
 - D. Whereas, in particular, the undervaluing of characteristics associated with women in the wage formation process leads to direct discrimination, on the one hand, in cases of unequal pay for equal work and value discrimination, on the other hand, in cases of unequal pay for work of equal value,
 - E. Whereas statistical data available at European level on pay differentials between men and women is incomplete and not up to date, and whereas no account is taken in this connection of recent trends in the labour market, such as the emergence of new sectors, atypical work and career breaks,
 - F. Whereas indicators are necessary in connection with the collection of statistics as they allow the factors determining pay differentials between men and women to be weighed up,
 - G. Whereas it is necessary to gain an understanding of the causes of, and possible remedies for, the wage gap in order to enable an effective policy to be developed,

¹ OJ C 304, 6.10.1997, p. 45

² Item 3 of the texts adopted in the Minutes of that date

³ OJ C 59, 23.2.2001, p. 258

- H. Whereas every wage formation system is based on a scale of values according a hierarchical position to tasks following an assessment of the substantial requirements of the job; whereas, however, this process is not carried out on the basis of standard systems and procedures as a result, *inter alia*, of a lack of knowledge, experience and willingness to meet the cost thereof,
- I. Whereas value-rating of jobs is a method of placing tasks within a work organisation in order of importance, and whereas, to that end, the job and not the person performing it must be assessed,
- J. Whereas no method of wage formation can ever be completely objective, as it involves a complex process of assigning values based on a policy process of selecting, defining and weighing the criteria used,
- K. Whereas, however, it is possible to build safeguards into the system to assist transparency and gender-neutrality, and whereas an analytical job evaluation procedure provides the best guarantee in this respect,
- L. Whereas the wage gap can only be narrowed by means of a twin-track policy involving, on the one hand, improving the position of women on the labour market and, on the other, eliminating discrimination in connection with wage formation,
- M. Whereas synergism between actors and methods is needed in order to close the wage gap, and whereas policy measures must be further developed which take account of structural differences in relation to men and women on the labour market and which make it easier to reconcile work and family commitments,
- N. Whereas all work must be accorded the value which it merits, and whereas the employment segregation of men and women often results in lower wages in female-dominated sectors than in male-dominated sectors and in less being paid for women's jobs than for men's jobs; whereas this is completely illegitimate, and female-dominated sectors and women's jobs need to be upgraded in order to narrow pay differentials between men and women,
- O. Whereas collective bargaining between management and labour is the main basis for wage formation and whereas the two sides of industry have an important role to play in closing the wage gap,
- P. Whereas, regrettably, too low a priority is accorded to the problem of the wage gap by those negotiating pay, and whereas the latter are often too concerned about the cost of gender-neutral-orientated reform of the wage formation process,
- Q. Whereas women are very under-represented in the decision-making bodies of the two sides of industry, creating a situation in which women are not sufficiently well-grounded in gender-neutral job evaluation and men are not sufficiently aware of the problem,
- 1. Acknowledges the efforts made by the Commission during the past decade to achieve equal pay for men and women, but notes that, despite all the initiatives adopted, the wage gap remains and is not shrinking significantly; concludes, therefore, that efforts need to be

stepped up both at European and at national level;

2. Considers that the target set at the Lisbon Summit of achieving 60% of women active on the labour market by the year 2010 will not contribute to equal opportunities between women and men if the majority of those women are in low-paid, under-valued employment; stresses the importance of all types of training at every level as an essential instrument for achieving equality;
3. Welcomes the setting up by the Commission of a group of experts with a view to improving statistical data collection; points out, however, that these data must be broken down by gender and sector, including those sectors such as the public sector and most forms of atypical work where women predominate and on which insufficient figures are available; points out that it is not enough simply to use descriptive indicators, and calls for interpretative indicators also to be developed and applied, such as for example the impact on wages of the combination of work and family life;
4. Supports the Belgian Presidency's initiative for giving priority, on the basis of the follow-up to the Beijing action programme, to equal pay for men and women;
5. Urges that existing data and research be supplemented, particularly with regard to the causes of, and remedies for, the persistent wage gap between men and women in the EU, and desires that a study also be carried out concerning all the factors influencing wages and the role played in this connection by wage formation mechanisms;
6. Calls for the feasibility study on the setting up of a European Gender Institute to examine the role which this monitoring centre might play both in the collection of statistical data and in carrying out research into the causes of, and remedies for, pay differentials between men and women;
7. Requests the Commission to examine how far the Member States have succeeded in:
 - a. forming an accurate, complete picture of the pay differentials existing between women and men;
 - b. incorporating gender-neutral job rating systems into their national legislation;
 - c. developing awareness-raising campaigns on equal pay for work of equal value;
 - d. mobilising the two sides of industry to implement gender-neutral job evaluation and to make the elimination of pay differentials between men and women one of their priorities;
 - e. themselves providing a model in the public sector and eliminating wage discrimination and differentials between men and women;
8. Calls on the Member States to further step up their efforts in all of these areas and ensure that measures adopted are actually complied with: urges them, in this connection, to develop and exchange good practice with a view to closing the wage gap, and to draw up 'equal pay' plans under their National Action Plans for Employment and present an annual report on progress made with regard to equal pay;

9. Considers that the gender pay gap is a core priority for adjustment in response to the conclusions of the Stockholm Summit and welcomes the proposal of the Advisory Committee on Equal Opportunities to include in the Employment Guidelines for 2002 the establishment of targets with timescales to reduce the gender pay gap; calls on the Commission, within the framework of the European employment strategy, in connection with the employment guidelines, to continue to devote itself to specific measures for combating the wage gap by introducing precise quantitative and timescale objectives; requests it, in monitoring National Action Plans for Employment, to draw up actual progress reports concerning equal pay;
10. Urges the Member States to facilitate training and access to jobs under optimum conditions, in particular by non-sexist vocational guidance in schools, and to eliminate current labour market segregation as well as to develop measures to narrow structural differences relating to men and women on the labour market and to enable both men and women to combine work and family commitments and to fulfil caring duties;
11. Welcomes the Commission's plan to launch a Europe-wide campaign on equal pay in 2002 and urges the Commission to bring forward, in conjunction with this campaign, a proposal for revision and updating of the 1975 Equal Pay Directive, paying sufficient attention to the issue of job classification and inserting a number of rules and criteria in an annex in order to ensure an objective gender-neutral evaluation system in accordance with a standard form as a means of narrowing the gender pay gap; asks the Commission in this connection to take account of the need for consistency with the provisions of the directives based on Article 13, Directives 2000/43/EC and 2000/78/EC and of the draft amending Directive 76/207/EEC; further urges the Commission to consider what other type of measures or schemes might be introduced and by what methods for this purpose, including encouragement of the involvement of the social partners;
12. Calls on the two sides of industry finally to place the problem of unequal pay for men and women on their agenda and, on their own initiative, to take steps to help narrow the wage gap and the pay inequalities inherent in atypical work and career breaks; urges the social partners to draw specific attention in this strategy to the existence of female ghettos in certain low-paid jobs and to the obstacles which women encounter to entering top positions, which is called 'the glass ceiling';
13. Calls on Member States to encourage individual employers to draw up annual equality reports containing statistics on proportions of women and men at different levels of the organisation, on time differentials in relation to promotion and on pay differentials for work of equal value and any measures undertaken to improve equal treatment at the workplace;
14. Calls on the two sides of industry to provide clear information concerning pay differentials between men and women and to ensure transparency with regard to the value scales used in the wage formation process, in order to enable such information to be used to develop a policy based on a gradual approach in which the emphasis is on specific targets; calls on them to implement analytical job rating systems;
15. Calls on the Commission and the two sides of industry to formulate an overall strategy for bridging the gender pay gap; takes the view that in addition to the review of job evaluation

and classification systems measures are also necessary regarding labour market organisation in general, new forms of employment including the increase in atypical forms of employment, the definition of 'pay' and the impact of the organisation of work on women's pay structures; asks the Commission to investigate best practices in the Member States and on this basis propose supporting strategies to bridge the pay gap;

16. Calls on the two sides of industry to include more women in wage negotiations as well as in their decision-making bodies, and requests that they provide all employees with training, including instruction and practice, relating to gender-neutral job evaluation systems and wage formation mechanisms;
17. Calls on the Member States cited in this report as being at or near the bottom of the list of European Union countries in terms of equal pay for men and women for work of equal value to take particular note of this report and take urgent measures to improve their respective positions;
18. Urges the applicant states to develop measures to narrow pay differentials between men and women;
19. Instructs its President to forward this resolution to the Council, the Commission, the Member States and the two sides of industry.

EXPLANATORY STATEMENT

1. Introduction

The principle of equal pay for male and female workers for work of equal value was first enshrined in ILO Convention no. 100 in 1951. In the European Community the principle of 'equal pay for equal work' was laid down in Article 119 of the Treaty of Rome in 1957. After this apparent narrowing of the scope a broader wording was again used in Directive 75/117/EEC which expressly refers to the principle of equal pay for work of equal value. It states that there must be no discrimination on grounds of sex with regard to all aspects and conditions of remuneration for work to which equal value is attributed. During the 1990s further progress was made in European policy, and the Treaty of Amsterdam enshrines in its Article 141 the legal principle that discrimination in terms of pay between male and female workers, for equal work or work of equal value, is prohibited. In 1994 and 1996 the Commission had issued a Memorandum and a Code of Conduct on this principle. The Code of Conduct is targeted directly at those who negotiate the pay system and seeks to help make wage formation systems gender-neutral and to detect instances of gender discrimination in pay structures. In the EU, wage discrimination between men and women is thus prohibited by law. Pay differentials between men and women which are based solely on the difference between the sexes are not permitted.

However, in practice there still is a wage gap between men and women. Can these differences be explained in objective terms? Or is it the case that, in spite of the legal standard of equal pay for work of equal value, equal value is – unfairly – not always accorded in practice to men's and women's work? This would mean pay differentials being based solely on gender, which of course constitutes discrimination.

This report investigates the mechanisms which lie behind this wage gap. We will concentrate our attention on the process of wage formation (and on the subjective wage gap), and will mention briefly the remedies which have been worked out to tackle this problem in the individual Member States. On Thursday, 21 June 2001, a public hearing was also organised at the European Parliament at which representatives of the two sides of industry, academic experts and European policy-makers spoke about the persistent wage gap in the EU.

2. The wage gap in the EU

On average, women earn less than men. At European level there are two distinct statistical sources providing evidence of this wage gap. The first is the Structure of Earnings Survey (SES) the second is the European Community Household Panel (ECHP)¹. These sources make it possible to identify pay differentials between men and women. According to the SES data, this wage gap amounted to 28% in 1995. In other words, the average gross hourly wage earned by women in full-time work was only 72% of the gross hourly wage earned by men.

¹ SES statistics relate only to units of more than 10 people and exclude a number of sectors, such as health care, agriculture, education, services and the public sector – the very sectors where many women are employed. The ECHP seeks to measure income distribution between individuals, and uses a different method of measurement and a different concept of wages.

The largest gap occurs in the UK, Greece and the Netherlands, the smallest differentials are in Sweden, Belgium and Luxembourg. These data also show that pay differentials in the EU are wider at the top of the income bracket than at the bottom: in other words the wage gap is not uniformly distributed. In the EU the 10% of women with the lowest pay receive 15% less than men in the same category, while the 10% of women with the highest pay receive 35% less than men in their wage category. Far fewer women than men succeed in reaching the higher pay levels, irrespective of the job category in which they are employed. They make slower progress in their careers and come up against a 'glass ceiling'. The pay differentials between men and women can have negative effects, for example, on women's position in social security systems. The greatest pay gaps are in occupations in which women are under-represented, such as assembly and machine operation (43%). In occupations where there are a lot of women (e.g. sales assistants) the gap is much smaller (19%).

According to a second source, the ECHP, women's wages are on average 83% of men's. The gap is greater in the private sector than in the public sector (24% and 11% respectively). The industrial and agricultural sectors have to contend with greater wage differentials than the service sector. From the ECHP's 1996 figures the gap seems to be widest in Germany, Ireland, Austria and the UK, while it is only of the order of 9% in Portugal, Spain and Belgium¹.

For the candidate countries, the UNECE's 1999 report entitled 'Women and the economy in the ECE region' states that wage differentials between men and women are of the order of 20 to 25%².

The statistical sources, however, are incomplete and not fully up to date. Another shortcoming is that the figures do not state clearly what all the components of pay are and whether all perks and bonuses are included. One crucial problem frequently noted in the statistical analysis and for the development of policy is the difficulty of distinguishing precisely which part of the wage gap is the result of discrimination on the grounds of sex. The figures therefore need to be adjusted. Rather than working with averages, comparative studies should be carried out based on individual job profiles and their corresponding wage levels. The statistical data should also permit comparisons between all sectors.

What is the explanation for these wage differentials between men and women?

In spite of the lack of complete information it is possible to carry out an analysis of the wage gap on the basis of the figures available. According to the Swedish Ombudsman's department, wage differences between men and women can be broken down into: 1. structural differences (resulting from differences in age, training or level of education), 2. incomplete data (statistics give no explanation for the gap), 3. direct wage discrimination (the work is regarded as of equal value, but the pay differs even taking account of structural differences) and 4. value discrimination (work mainly carried out by women is accorded less value than that carried out by men, even if the training required and level of responsibility involved, for example, are the same³).

¹ European Commission, Joint Employment Report, 2000.

² Economic and Social Council, UNECE, E/ECE/RW.2/2000/2.

³ Office of the Equal Opportunities Ombudsman, Pay Equity Guide, 2000.

- The main structural wage differentials are those relating to age, training and occupation. For example the proportion of younger workers is greater among women than among men, seniority takes longer to acquire and progress through the career is slower. Women also have different jobs from men: fewer of them work full time, and they are employed in less well-paid sectors. Finally, women are trained in different fields from men. The Commission's 1998 study entitled "Earning Differentials between men and women" gives an excellent analysis of the impact of structural factors on the wage gap. Although there are differences between the Member States, the general conclusions on the effects of structural factors still apply. There are undoubtedly many other increasingly significant factors which come under the heading of 'structural differences between men and women in the labour market'. For example, women often have a different working pattern, in which the higher incidence of part-time working and career breaks have an impact on the structure and course of their careers and on their access to leading positions. Far fewer men than women work short hours or interrupt their careers, and men are thus less involved in reconciling work with family and caring tasks. This significantly slower career progress of women than of men is reflected in lower pay levels. These structural differences between men and women in the labour market account for 13% of pay differentials¹.
- The remaining 15% of the wage gap in the EU, however, cannot be 'explained away' in structural terms and must be branded discrimination between men and women. The only explanation for this is the gender difference. The main cause is 'indirect or value discrimination' between the jobs carried out by women and men, since one can reasonably assume that direct discrimination has largely been eliminated by unambiguous legislation banning it and by the presence of checks on compliance with this ban. Indirect discrimination, in other words the different value placed by society on jobs or tasks which are mainly carried out by women and those mainly carried out by men, manifests itself principally in two forms which are closely related to the segregation of jobs and the phenomenon of the twofold labour market. Firstly there are the lower levels of pay in sectors which mainly employ women. For example, traditionally work in welfare-producing sectors, e.g. care work, is less well paid than work in prosperity-producing sectors, such as the banking sector, even though there is no objective reason, based on the difficulty of the work or its level of responsibility, why this should be so. Secondly, jobs in mixed sectors – i.e. those in which men and women are employed together – are valued differently depending on whether it is a man or a woman who does the work. Here, too, there is no objective reason for the difference in pay. A classic example is the difference between the (female) receptionist and the (male) doorkeeper.

The solution which is often proposed to combat this discrimination in terms of the value placed on tasks, and thus in the process of wage formation, is to make the sectors, training courses and occupations mixed so that there will be an automatic 'reevaluation effect' on those occupations and sectors which used only to employ women. This may be a valid strategy, but it implies enhancing the value of women's jobs only because men are doing them too, not because of their intrinsic value.

¹ See Eurostat, Women's earnings in the EU: 28% less than men's (8/6/99). The 28% wage differential indicates only that women earn less than men and that they are thus in lower-paid jobs. Part (13%) is due to structural differences.

One thing must, then, be clear: there is still a wage gap in the EU which cannot be justified, in other words a subjectively discriminatory difference in pay between men and women. Women do not always receive equal pay for work of equal value. Even though different designations and classifications are possible, it is clear that a distinction can be drawn between on the one hand a structural or objective wage gap, and on the other hand an unacceptable subjective wage gap. Understanding this dichotomy is helpful not only in understanding the wage gap but also in developing policy to close it. It is true that narrowing the wage gap and creating greater equality between men and women in terms of pay also involves a twin-track policy in which account must be taken of the objective factors and structural differences between men and women on the labour market, but on the other hand both overt and covert forms of discrimination must be eliminated. Moreover, the wage gap can only be closed if there is awareness on the part of policy-makers of the structural factors and their impact on pay. Encouraging both men and women equally to take parental leave, for example, must remain a priority. However, in this report we will not go into more detail on the necessary policy options but will concentrate specifically on the more subjective wage gap.

3. The subjective wage gap: value the chair and not the person sitting on it!

If women, then, perform work of equal value to that performed by men and nevertheless receive lower pay, one needs to ask to what extent the method of wage formation influences the difference in pay between men and women.

The wage formation process can follow various patterns. Every wage formation system, however, is based on a visible or invisible scale of values according a value or hierarchical position to a task after an assessment of the job. The value-rating of jobs means placing the jobs in a working organisation in the correct order of importance. One aim of these value-rating scales is to make the separate process of wage determination scientifically based by establishing pay structures on the basis of tasks of equal value. This wage determination process means ‘putting a value on the chair and not on the person sitting on it’, and thus giving pride of place to legitimacy or justifiability: equal pay for work of equal value!

Since classifications are never a purely technical matter and always reflect values and relationships, covert or indirect discrimination may lie hidden in the value-rating of tasks. This happens when too low a value is placed on characteristics associated with traditionally feminine jobs (e.g. social skills, physical and emotional care, concentration) and these jobs are thus given too low a place in task hierarchies and payrolls, while at the same time the characteristics associated with traditionally masculine jobs (leadership, technical insight, heavy physical work) are over-valued. There is also a link here with the segregation of the labour market. Discrimination in the value-rating of jobs can only occur when there are such things as men’s or women’s jobs, irrespective of whether these are carried out in a mixed sector or a sector in which mainly men or mainly women work.

To overcome such discrimination, the process of wage formation must be improved. The value-rating and classification of jobs must be gender-neutral and the best way to guarantee this is to work with a transparent analytical system, which ensures the most objective and scientific basis possible. This involves describing and analysing tasks on the basis of pre-determined and clearly defined job characteristics such as knowledge, familiarity with the

field, responsibility, leadership, independence, social skills, and working conditions. Other job evaluation systems which are used include paired comparison and ranking. However, these traditional classification systems are too often distorted on the basis of gender, so it is crucially important to select, define and weigh up the determining factors or criteria in a responsible way. Other test criteria of a gender-neutral system are:

- all the characteristics of a job should be evaluated;
- there should be a fair distribution of men's and women's job characteristics;
- a uniform approach should be taken to these characteristics (possible scores);
- the values allocated should be in proportion to the effort needed for the work (audit);
- the value-rating system should be applied throughout the firm (all jobs from the highest to the lowest).

At any rate, in all the value-rating systems in use, firstly a justified position or grade in the hierarchy must be allocated which is in accordance with the substantial requirements of the job, and secondly the value scale used must be made visible if gender neutrality is to be guaranteed. Moreover, comparative studies have shown that formal and transparent systems favour women, while informal systems tend to favour men¹.

4. The social partners and the wage gap

There are various ways and means by which pay, or the cost of labour, may be determined, from legislation (political decisions, such as a minimum wage) and collective bargaining to individual contracts and direct participation in results and profits. Of these, however, collective bargaining still has a particularly important role to play². Between 50% and 80% of workers in the EU – excluding the UK – receive a wage which is determined by a collective agreement³. For this reason it is important to investigate to what extent collective agreements can either aggravate or help eliminate the wage gap.

However, it is always necessary to take account of the national context, because each Member State has its own peculiarities, such as the level at which bargaining takes place, the influence (if any) of the legislature on pay levels, whether wages are collectively agreed, the level of trade union membership, the wage system, the manner of payment, etc.

Wage negotiations, then, have their own particular characteristics in the 15 Member States:

- Different levels of decision-making. In Ireland, wage rises are decided at a centralised level. Most Member States take decisions at a sectoral level, whether this is in a national framework or not. The collective bargaining underlying the wage negotiations is increasingly decentralised and is organised at the level of the individual firm;
- New elements in the pay structure are constantly emerging, such as participation in profits;

¹ Grimshaw D. & J. Rubery, EOC- Research Discussion Series, The Gender Pay Gap: A research review, 2001.

² See European Commission, Industrial relations 2000.

³ SES, Earning differentials between men and women, 1998: there is however a discrepancy within the EU. In France, Italy, Belgium and Finland, for example, more than 90% of wages are determined by collective agreements, whereas in the UK the corresponding figure is only 20% for men and 10% for women. There are more collective agreements in industry than in the services sector.

- Wage bargaining is increasingly institutionalised, in other words more specialists are becoming involved in the (technical) process of wage formation.

In general, changes to pay are determined by the sum of inflation and productivity. The scope for productivity increases ought to be exploited to bring about a narrowing of the wage gap.

The Swedish report 'Highlighting differentials between men and women' shows that collective agreements can entrench these differentials (conservatism) but can also help prevent them (dynamism). Collective agreements can thus be important in determining whether wage discrimination becomes institutionalised. Here we must be very aware that discussions and negotiations on wage formation and wage determination impinge on fundamental interests: it can often be a matter of not losing one's position in the hierarchy.

The social partners, then, can help narrow the wage gap on the one hand by taking measures to reduce wage differentials, rising from value discrimination, and on the other hand by developing measures which seek to achieve a better position for women on the labour market and better access to better paid jobs, including in future-oriented sectors in which they are currently under-represented.

Regarding the first set of measures one needs to be constantly aware of invisible discrimination factors and to make the link with the segregation of the labour market. The social partners, however, can help eliminate the wage gap by taking account of a number of fundamental conditions, and in particular by:

- incorporating sufficient transparency;
- providing information on the wage formation process
- guaranteeing gender-neutral job evaluation by employing neutral criteria and an analytical system.

Men's and women's tasks must thus be compared and evaluated and consideration must be given to whether pay can be completely objectively justified. There is already legislation to tackle direct and indirect discrimination, but in order to develop an adequate policy it is absolutely necessary to make discrimination factors visible.

The second set of measures can, for example, be targeted at enabling both men and women to reconcile work and family commitments. Collective agreements can provide that people who take a career break are not excluded from later promotions.

To make this dynamic change a reality, the social partners must first and foremost give greater priority to the wage gap issue in their collective bargaining, and to this end more women must be present in the bargaining process and at senior level in organisations.

We may conclude that there is a need for a synergy between actors and policy instruments. Both collective bargaining and legislation, both the government and the social partners have a role to play in closing the wage gap.

5. The wage gap in some individual Member States

As we have seen, the wage formation process varies from Member State to Member State within the 15. However, a study produced in 1999 by the European Foundation for the Improvement of Living and Working Conditions has shown that the strategies to eliminate pay differentials between men and women do not differ so greatly¹. For example, attention is always given to the value-rating of jobs and an effort is made to alter job evaluation systems or create new ones so as to eliminate discrimination, and consequently a closing of the wage gap is sought by amendments to wage structures. In this way structural disadvantages are eliminated, for example by according particular advantages to a special category of workers. A 'rethinking' of the wage formation process is thus going on everywhere. A comparison taken from this study points to strategies which have been used to guarantee pay equality and thus (directly or indirectly) highlights the pressure points or causes of the wage gap. There have been as many strategies to tackle the wage gap as there are Member States. This diversity does, however, have the common feature that everywhere the wage formation process is adjusted in order to close the gap. An annex contains a concise summary of the influence of the wage formation system in Belgium, the UK, Spain, Sweden and France on the wage gap and remedies which have been developed there.

5.1 Belgium

Belgium has detailed legislation, and it is a criminal offence not to abide by the principle of equal pay. The main legal instrument is the Law of 7 May 1999 on equal treatment of men and women (relating to terms of employment, access to employment, vocational training and opportunities for promotion). Article 13 lays down that the definition of 'terms of employment' includes provisions and practices pertaining to wages and protection thereof, as well as job classification. A second important legal instrument is Collective Agreement No 25 of the National Employment Council of 15 October 1975 concerning equal pay for male and female employees. This again explicitly refers to systems of job evaluation, which must ensure equal pay for men and women. In Belgium, much attention is devoted to making job classifications gender-neutral. The Federal Ministry of Employment and Labour cautiously estimates that around half of the wage gap between men and women is due to concealed factors in wage formation, particularly the job evaluation systems, which give rise to discrimination between men and women. Most job classifications are made sectorally, and (HIVA) some 61% of businesses use sectoral classifications. These systems are established by organisations representing employers and employees. However, the problem is that the criteria and weighting factors used are often far too vague and have discriminatory effects, because evaluations are often slanted against jobs mainly performed by women. Employees are also insufficiently aware of the existence of legislation, and too few complaints are lodged. The two sides of industry have for some considerable time been seeking to make their evaluation systems gender-neutral, at the urging of the then Minister of Employment, Labour and Equal Opportunities, Mrs Miet Smet. For example in the Interprofessional Agreement for 1999-2000 they committed themselves to adjusting job classifications in cases where existing systems led to discrimination against women. Financial incentives were also made available for this.

¹ See European Foundation for the Improvement of Living and Working Conditions, Equal Opportunities and Collective Bargaining in the EU, 3. Innovative Agreements, Pay Equity, 1999.

5.2 United Kingdom

The United Kingdom likewise has a statutory guarantee of equal pay for men and women, in the form of the Equal Pay Act 1970, under which it is illegal to pay different wage rates to men and women for performing equal work. Thus the Act requires the two sides of industry to avoid discrimination. Despite these provisions, in 1999 the average hourly wages of women were only 82% those of men. Research by the EOC (Equal Opportunities Commission) has shown that the 18% wage gap was mainly due to the following factors: discrimination in payment systems (25-50%), concentration of women in low-paid jobs, and the fact that many women have part-time jobs, which are less well paid. Other factors included the decentralisation of payment systems, the lack of transparency and the growing fragmentation of systems, the large number of women employed in the low-paid public sector and the fact that women's income falls more drastically than men's upon assuming family responsibilities.

In 1999 a three-year campaign, 'Valuing women', was launched with the aim of reducing the gender pay gap by eliminating all the factors which give rise to gender discrimination in systems of payment. Analytical job evaluation is a widespread method in the UK, but its use is entirely voluntary, and no obligations are attached. Wage negotiations are very decentralised, which increases the risk of gender distortions. As a result, it is not always clear what indicators have been used to set wages, and it has been established that existing job evaluation systems comprise concealed mechanisms which result in discrimination against women. Accordingly, emphasis is also being placed on pay audits. The profile of the job is examined in relation to the required qualifications. Other factors studied are the importance of long service, the impact of career breaks and the correlation between the title of the job and its content. Checklists have also been developed to guarantee the gender-neutrality of job evaluation systems. The minimum wage which has been introduced in the UK has helped to reduce the structural wage gap, as many women are employed in poorly paid sectors.

5.3 Spain

Spain has strong legislation to ensure equal wages for men and women, in the form of the 1978 Constitution and Article 28 of the Workers Statute Act of 1995. Every Spanish citizen has the right to adequate pay (both basic wages and social-insurance contributions), and it is illegal to discriminate between the sexes in this connection. As research by the Instituto de la Mujer showed that indirect discrimination was commonplace in establishing criteria for evaluating jobs and that it was the characteristics of the job rather than of the individual that explained the wage gap, a guide for job evaluations was published. In Spain, the characteristics mainly used are derived from male-dominated jobs, while criteria which might be considered 'feminine' are mostly forgotten. Accordingly, the 'Good Practice Guide for the evaluation of work' seeks to prevent discrimination at all stages in the setting of wages. The Guide aims to tackle existing practices which permit discrimination in the evaluation of work and hence in remuneration. Measures are proposed to render the classification of jobs more just. A checklist is presented, together with methods of evaluating jobs in a gender-neutral manner. In order to combat the wage gap, emphasis is placed on training employees and wage negotiators. However, in Spain as elsewhere, too few women are involved in wage negotiations. A policy evaluation by the ILO stresses that a multidimensional approach is called for and that access to jobs must likewise be improved, and greater diversification of

jobs sought. In particular, the existing labour market segregation needs to be reduced. The wage gap will narrow once more women are employed in sectors which are now dominated by men, and once the work which is mainly done by women is more highly valued.

5.4 Sweden

In 1980 Sweden acquired its first Equal Opportunities Act (Lag om jämställdhet 1979:1118), hereafter referred to as the EOA. Replaced in 1991 and amended in 2001, the EOA is intended to primarily integrate an equality perspective in the work place and to prevent discrimination. According to the Act, every employer with more than 10 employees is obliged to draw up an Equal Opportunity Plan. It is an annual evaluation of the company's composition of women and men and the necessary solutions to enhance women and men's resources in the workplace (EOA 1991:4-9, 13 §§). Separately, every employer with more than 10 employees must also draw up a Pay Equity Action plan among her/his employees and analyse whether the differentials are based on sex or not. The plan should include an evaluation of the work tasks to see whether the women and men do equal work or work of equal value. The employer is therefore required to specify in the plan the costs and the time required to make the necessary adjustments and changes. This will encourage the parties of the labour market to eliminate subjective pay differentials (EOA 1991:10-12 §§). If the employer neglects to take affirmative actions or draw up plans, s/he will be ordered to pay a fine, ordered by the Equal Opportunities Board (EOA 1991:34-35 §§). In the amendments of 2001, a definition of work of equal value is incorporated in the Act.

The Swedish wage gap has been 25% for full-time work since the 1980s. If structural differences like age and experience are taken into account an unwarranted wage gap of 1-8% still remains, which suggests a lower evaluation of female tasks and competencies. On 21 February 2001 the Labour Tribunal gave a ruling on a case relating to work of equal value which had been brought by the Ombudsman and concerned the wages and work of two midwives in comparison with the wages and work of a male clinic engineer. The Labour Tribunal agreed with the employer and stressed that the demand for clinic engineers in the private sector was higher than in the public sector and therefore the employer had been obliged to accommodate the wage of the engineer to the circumstances and thus pay him more. It was the first job evaluation for work of equal value to have been approved by the Tribunal. This judgement gives the social partner a reason to investigate further if female-dominated work tasks in health care are undervalued or not.

5.5 France

In France the principle of equal pay for male and female teachers possessing qualifications was already established in law in 1927. The Preamble of the French Constitution of 1946 guarantees that women's rights are equal to those of men in all areas. This Preamble is an integral part of the French Constitution in force since 4 October 1958. Equal remuneration for men and women was adopted by Act No 72-1143 of 22 December 1972. Through the amendment of 13 July 1973, criteria were established for concrete assessment of the value of work. French legislation does not include any provisions that set out factors justifying differences in pay; in case of dispute it is left to the judge to determine the factors. The instruments used to promote equality are job evaluations, setting up plans for vocational

equality, contracts and mixed employment contracts. The plans for vocational equality are negotiated between the labour market parties. In enterprises employing more than 50 workers, the employer is obliged to submit to the works committee or staff delegates a written report on the comparative situation of general employment, training conditions and actual remuneration of women and men.

In France, collective bargaining covers over 90% of all employees. The negotiations take place at both industry-wide and enterprise levels. France has a weak and uneven collective bargaining system, with a general minimum wage. France is also notable for having some industry-level minimum rates that are below the national minimum wage. Bargaining at industry level is obligatory and must cover minimum wages and job classifications with regard to work of equal value. The labour market parties are expected to determine and adopt job evaluation criteria at the sectoral level of collective bargaining. In 1990 the French government organised a campaign to combat low pay and ineffective bargaining by encouraging the social partners to conduct industry-level negotiations that combined pay bargaining with negotiations on job classification. While this initiative succeeded in reducing the number of women and men whose pay was directly pegged to the national minimum wage, a higher proportion of women still remains at this pay level.

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10 July 2001

OPINION of the Committee on Employment and Social Affairs

for the Committee on Women's Rights and Equal Opportunities

on equal pay for work of equal value
(2000/2312 (INI))

Draftsman: Elspeth Attwooll

PROCEDURE

The Committee on Employment and Social Affairs appointed Elspeth Attwooll draftsman at its meeting of 4 April 2001.

It considered the draft opinion at its meetings of 20 June 2001 and 10 July 2001.

At the last meeting it adopted the following conclusions unanimously.

The following took part in the vote: Michel Rocard, chairman; Winfried Menrad, vice-chairman; Marie-Thérèse Hermange, vice-chairperson; Elspeth Attwooll, draftsman (for Luciano Caveri); Jan Andersson, María Antonia Avilés Perea, Regina Bastos, Ieke van den Burg, Alejandro Cercas, Luigi Cocilovo, Elisa Maria Damião, Harald Ettl, Carlo Fatuzzo, Ilda Figueiredo, Hélène Flautre, Fiorella Ghilardotti, Anne-Karin Glase, Richard Howitt (for Proinsias De Rossa), Stephen Hughes, Anne Elisabet Jensen (for Daniel Ducarme), Karin Jöns, Piia-Noora Kauppi (for Philip Bushill-Matthews), Ioannis Koukiadis, Rodi Kratsa-Tsagaropoulou, Jean Lambert, Elizabeth Lynne, Toine Manders (for Luciana Sbarbati), Thomas Mann, Mario Mantovani, Claude Moraes, Ria G.H.C. Oomen-Ruijten (for Raffaele Lombardo), Paolo Pastorelli (for Guido Podestà), Manuel Pérez Álvarez, Bartho Pronk, Tokia Saïfi, Herman Schmid, Inger Schörling (for Jillian Evans pursuant to Rule 153(2)), Miet Smet, Helle Thorning-Schmidt, Bruno Trentin (for Marie-Hélène Gillig), Anne E.M. Van Lancker and Sabine Zissener (for James L.C. Provan).

SHORT JUSTIFICATION

Introduction

The principle of equal pay for men and women who do equal work was established in Article 119 of the 1957 Treaty. The Court of Justice interpreted the principle to mean “equal pay for work of equal value”. This form of the principle was enshrined in Article 141 of the Amsterdam Treaty. In consequence, many women have won legal battles to gain the right to equal pay with men. Yet, overall, a major gender pay gap remains. Estimates put it at between 17% and 25%. Also, a survey published in August 2000 by Eurostat revealed that 77% of low wage workers in the EU are women.

There is little point in setting a target of achieving 60% of women in active employment, as decided at the Lisbon summit last year, if the majority of those women are going to be in lower paid, under-valued employment. Your draftsman welcomes the initiative taken in the Committee on Women’s Rights and Equal Opportunities to look into the issue of equal pay with a view to making proposals for future action at European level.

Occupational segregation and job evaluation

Despite the principle of equal pay for work of equal value, there is considerable evidence that women’s wages are lower than men’s in all occupations. In addition, the problem is made worse by occupational segregation – that is to say, by the fact that women are predominantly employed in areas where the work has traditionally been regarded as of less value. Two other factors contribute. First, noticeably more men than women work in the private than in the public sectors, whereas women are more evenly divided between the two sectors. Second, a much higher proportion of women than men are part-time workers. In both cases this puts women at a disadvantage where rates of pay are concerned.

It is clear, therefore, that it is still necessary to address the issue of equal pay for work of equal value where women and men are engaged in the same occupation. It is equally clear, however, that it is necessary to tackle gender prejudice in the value given to different occupations. The undervaluing of women’s skills must be brought to an end.

As early as 1975, with the adoption of the first directive based on Article 119 (Directive 75/117/EC on the principle of equal pay for men and women), it was recognised that job evaluation (called ‘job classification system’ in the text of the directive) can be an important tool in this respect. It is essential, however, both that such evaluation schemes are based on objective and non gender discriminatory criteria and that there are safeguards against discrimination in their administration. In particular, it is necessary to ensure that men’s work is no longer the norm against which women’s work is measured. In view of the lack of progress, the draftsman believes that the time has come to tighten up the wording of the 1975 Directive, possibly even to the extent of making job evaluations compulsory. She accepts, though, that, given the rapidly evolving labour market recognised in Lisbon – with changing organisation of work and the increased use of multi-tasking – it may be increasingly difficult to identify a fixed job description for any one post.

Another approach towards solving the problem, either through revision of the 1975 Directive or by direct involvement of the social partners, would be to mainstream efforts towards the erosion of pay differentials between men and women into collective bargaining processes.

Finally, the draftsman would support the proposals adopted by Parliament as amendments to the 76/207/EC Equal Treatment Directive which called for individual companies to be encouraged to carry out annual, or at least bi-annual, equality reports, containing statistics on proportions of men and women at different levels of the organisation and on pay differentials for work of equal value. This idea, which has been practised in Sweden for some years already, appears to be drawing interest now from other Member States and would be a welcome addition to the tools available on equal pay.

Current action at European level

Aside from the 1975 Directive and the rulings of the Court of Justice, the only positive initiatives at European level specifically aimed at overcoming the gender pay gap have been Codes of Conduct by the Commission and by the social partners, along with similar codes introduced by equality institutes in certain Member States. However, the Codes of Conduct appear to have had little concrete impact on pay practices or levels.

The European Employment Guidelines have included a reference to Member States taking "positive steps to promote equal pay for work of equal value and to diminish differentials in incomes between women and men" (Guideline 17, Employment Guidelines 2001). However, the individual National Action Plans for 2000 showed that very little emphasis was being placed by Member States on this part of the Guidelines: in some Member States' NAPs, there was no mention at all of action taken to improve the gender pay gap; others were still at the stage of pilot projects and preliminary studies on ways to achieve gender-neutral job evaluation - rather remarkable given that it is 26 years since job evaluation schemes were first promoted in the Equal Pay Directive.

The recently published National Action Plans for 2001 show some improvements, in particular as a number of Member States have launched major equal pay initiatives in the last year and the results of previously-commissioned national studies have now been published and reveal evidence on some of the reasons for the continuing gender pay gap. However, in some individual National Action Plans there is still no reference to this part of Guideline 17 and no proposals for dealing with the gender pay gap. Greater emphasis must therefore be given in future National Action Plans on concrete measures to overcome the gap between women's and men's pay.

In Stockholm in March the Member States made a commitment, together with the Commission, to develop indicators to ensure that there are no discriminatory pay differentials between men and women. This is to be very much welcomed provided the indicators are broad enough to tackle issues such as employment segregation and the need to reconcile work and family life.

Moreover the Commission has announced that in 2002 it will be organising a campaign on equal pay which, although largely an awareness-raising tool, will serve to put the equal pay question firmly back on the agenda, hopefully at the level of those directly affected, involving

the social partners at European and national level. The drafts person hopes that the 2002 campaign will also serve as the backdrop to a Commission proposal to revise and update the Equal Pay Directive.

The need for improved statistical information

As regards data collection on women's pay, the drafts person was astonished to see explicitly mentioned in one Member State's 2000 National Action Plan (and again in 2001) that currently available statistical sources do not provide any reliable information about differences of income between men and women. In other Member States, the data are often limited, and in most cases not comparable between Member States. If the indicators and guidelines established at European level are to have any effect, we need to ensure that Member States move towards harmonisation of their methods of statistical collection. A common definition of 'worker' is essential for this purpose.

Many of the statistics used to show the pay gap between women and men actually exclude vast sectors of the labour market where women predominate, such as the public sector and much of what used to be called 'atypical work', that is part-time work, temporary work, home work. It is very likely that if all these sectors were included, the pay gap might be even greater.

The problem in the figures used currently by Eurostat is that the base data (the Structure of Earnings Survey) takes information only from private sector employers and takes years to become available (e.g. we are currently working on data from 1996-97). The more recent European Community Household Panel has broadened access to data covering information from individuals on income, rent subsidies, benefits and pensions. This is available annually and more quickly than the Structure of Earnings Survey, but it is only a small sample each year, and insufficient to provide the basis for proper analysis of the gender pay gap.

The drafts person is very much aware that there is an urgent need for comprehensive statistics, up-to-date, covering all sectors and providing the means to carry out analysis at national level and/or for whole sectors of the labour market. She welcomes the news that Eurostat is planning to set up a new database on income statistics, to be called SILC (Statistics on Income and Living Conditions), which she hopes will allow for systematic monitoring of pay differentials between women and men across the whole of the labour market

Until facts about pay differentials are identifiable at all levels – EU, national, industry and workplace – and take account of benefits as well as wages, then the values currently underlying job evaluation cannot be brought out into the open and the bases of any gender based pay discrimination made apparent.

CONCLUSIONS

The Committee on Employment and Social Affairs calls on the Committee on Women's Rights and Equal Opportunities, as the committee responsible, to incorporate the following points in its motion for a resolution:

Conclusion 1

Considers that the target set at the Lisbon Summit of achieving 60% of women active on the labour market by the year 2010 will not contribute to equal opportunities between women and men if the majority of those women are in low-paid, under-valued employment. Stresses the importance of all types of training at every level as an essential instrument for achieving equality.

Conclusion 2

Welcomes the Commission's plan to launch a Europe-wide campaign on equal pay in 2002 and urges the Commission to bring forward, in conjunction with this campaign, a proposal for revision and updating of the 1975 Equal Pay Directive which should, in particular, include greater emphasis on the importance of job evaluation schemes based on objective, gender neutral, criteria as a means of narrowing the gender pay gap; asks the Commission in this connection to take account of the need for consistency with the provisions of the directives based on Article 13 (Directives 2000/43/EC and 2000/78/EC) and of the draft directive amending Directive 76/207/EEC; further urges the Commission to consider what other type of measures or schemes might be introduced and by what methods for this purpose, including encouragement of the involvement of the social partners.

Conclusion 3

Considers that the gender pay gap is a core priority for adjustment in response to the conclusions of the Stockholm Summit and welcomes the proposal of the Advisory Committee on Equal opportunities for women and men to include in the Employment Guidelines for 2002« the establishment of targets with timescales to reduce the gender pay gap. Calls on the Commission to incorporate such targets in its own proposals as well as specific indicators for policy and results.

Conclusion 4

Urges both sides of industry to give priority to equal pay for men and women at every level; urges them to involve women to a greater extent in pay bargaining and appoint more women to responsible positions in trade unions and bodies representing employers.

Conclusion 5

Calls on Member States to encourage individual employers to carry out annual equality reports containing statistics on proportions of women and men at different levels of the organisation, on time differentials in relation to promotion and on pay differentials for work of equal value and any measures undertaken to improve equal treatment at the workplace.

Conclusion 6

Calls on the Commission and both sides of industry to formulate an overall strategy for bridging the gender pay gap; takes the view that, in addition to the review of job evaluation and classification systems, measures are also necessary regarding labour market organisation in general, new forms of employment including the increase in atypical forms of employment, the definition of 'pay' and the impact of the organisation of work on women's pay structures; asks the Commission to investigate best practices in the Member States, and on this basis, propose supporting strategies to bridge the pay gap.

Conclusion 7

Calls on Member States to place far greater emphasis in future National Action Plans on the Employment Guideline concerning proactive measures to promote equal pay for work of equal value, particularly through specific legislation or collective agreements and urges the Commission to emphasise this in its recommendations to Member States on the basis of this year's National Action Plans.

Conclusion 8

Calls on the Commission and the Member States, in drawing up the indicators on pay differentials between women and men agreed at Stockholm, to ensure that the indicators must be gathered at a sufficiently detailed level to allow meaningful analysis and to tackle issues concerning gender segregation on the labour market and measures to help reconcile work and family life.

Conclusion 9

Calls on the Commission and the Member States to work urgently with Eurostat to overcome the situation whereby figures used to determine pay differentials between women and men exclude large sectors of the economy where women predominate (including the public sector and most forms of atypical work) and to devise a system of statistical collection which will provide comparable data, easily updated, covering the whole of the labour market and offering as much detail as possible.