



Policy Proposal on

Gender Equality in the Labour Market

Brussels, April 17th 2016

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STUDENT FORUM MAASTRICHT

Student Forum Maastricht (SFM) is an annual student conference held at the Maastricht University Campus in Brussels. The conference is organised by students from Maastricht University in cooperation with different partner organisations. The participants are post- and undergraduate students from all over Europe with diverse academic backgrounds. Based on problem statements provided by European Commission representatives, they develop policy proposals for pressing topics within the Commission. In this process the students receive input and insights from experts from NGOs, academia and the business sector working in Brussels. The 2016 edition of SFM took place from 13th to 17th April. In four different working groups policy recommendations were drafted dealing with the following topics: EU Health Policy, Common Foreign Policy: Coordinating Humanitarian & Development Aid, EU- Union of and for Citizens, Gender Equality in the Labour Market. For more information on Student Forum Maastricht, please visit: www.student-forum.eu.

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Executive Summary

Gender equality, entailing that men and women have equal rights and opportunities in all areas of society, is one of the basic values of the EU. To be able to engage both men and women equally in the labour market, there need to be policies made with targets to reduce the gender pay gap and improve the organization of family leave and flexible work arrangements. Reducing gender inequality is important for the EU in order to create quality jobs and increase economic growth.

Problem Statement

With the view to increasing gender equality in the labour market, how can the EU reduce the gender pay gap and make it easier for women and men to combine paid work, household and care activities?

Objectives

As the ultimate goal is to achieve gender equality, with these proposals we want to realize the following:

- More transparency of companies on gender (in)equality in their company
- Reduce gender segregation in the labour market
- Avoid violation of father's rights by introducing a compulsory paternity leave
- Fiscal incentives to increase female participation in the labour market, through financial benefits and individual taxation
- Raise more awareness on the issue of gender inequality among citizens

1. Reducing the Gender Pay Gap

Background

At EU level, the gender pay gap is defined as the relative difference in the average gross hourly earnings of women and men within the economy as a whole. The gender gap is shown as women's average hourly earnings compared to men's average pay per hour. The average gender pay gap in the EU is 16.1%.

Proposal 1.1: Gender Budgeting and Wage Transparency

Internal availability of updated data on the gender pay gap within the firm; firms' spending and investments targeted at reducing the gender wage gap and at achieving equality in salary and working conditions among genders and the inclusion of women in high-level decision-making, notably by applying the 40% quota of women in boards previously proposed by the Commission will answer the needs to increase transparency on budgeting and wages in companies.

Proposal 1.2: Encourage Statistical Data Collection

The implementation of standardized research on public opinion on gender (in)equality on a European level.

Proposal 1.3: Gender Training Workshops

It is recommended for the European Commission to advise all Member States to provide gender training and advice for civil servants, the private sector and schools.

Proposal 1.4: Ensuring Gender Diversity

Member States are recommended to encourage companies to establish improved internal corporate culture, using an equal opportunities and diversity policy that places importance on gender diversity in accordance with the UN Women's Empowerment Principles.

A special contact person and easier access to mechanisms should be in place for employees to claim their rights in case of violation (e.g. sexual harassment).

2. Work-life Balance

The Social Way

Proposal 2.1: Compulsory Paternity Leave of 10 Days

The introduction of an absolute minimum of 10 days of paternity leave is an answer to violation of father's rights that sometimes occurs. It will take away the stigma that sometimes follows and will lead to a more equal division of household and care work between parents.

The Fiscal Way

Proposal 2.2: Increase Gender Equality in the Labour Market through Fiscal Incentives

In joint taxation systems, the marginal tax rates when adding second earners potential salaries to the first earner's act is a strong disincentive to work. A recommendation towards an individual taxation system on national level could eliminate this disincentive. Due to the incorporation of an increased level of women's labour market participation, state revenues are likely to increase.

Other fiscal incentives could be introduced including fiscal benefits in case of parents taking equal amount of parental leave, as well as deductions for childcare.

The Business Way

Proposal 2.3: Family-friendly Company Certificates

Two certificates shall be awarded to companies for work-family reconciliation measures and the consideration of specific needs of parents. Following the German best practice,

the first is linked to the participation in an auditing system and awarded for the implementation of company-specific measures. Companies adhering to the highest standards should obtain a second certificate, which is awarded for the fulfilment of six fixed criteria.

Policy proposal

1. Introduction

Gender equality means that both men and women have the same rights and opportunities in all areas of society. Equality between genders has been a fundamental tenet of the European Community since its beginning in 1957. In 1997 the Treaty of Amsterdam set out to eliminate inequalities and discrimination between men and women in all activities. Despite the fact that equality of men and women is formally enshrined in the Treaties today, full gender equality remains yet to be achieved.

As one of the goals of Europe 2020 is to achieve that 75% of women and men aged 20 - 64 are employed, it is important to focus on gender equality in the labour market. In 2014, there were only 64% of women employed, which is below both the percentage of employed men and the Europe 2020 target. Women tend more to work part-time, as they are more likely than men to take on the responsibility of child and elderly care. This causes many women to stay away from work longer after childbirth in order to take care of their family, while the male partner is responsible for earning the income for the family. This male breadwinner model is used by a large number of Member States as the normative reference point for parental leave regulations and is another reason for the lower number of women in the labour market. To be able to engage both men and women equally in the labour market working full time, there need to be policies made with targets to reduce the gender pay gap and to improve the organisation of family leave and flexible work arrangements.

Reducing gender inequality is important to the EU, as it is vital for creating quality jobs and reducing poverty. This would increase the economic growth of each Member State as both men and women, are equally capable of contributing towards the economy.

Legal Background

In order for the EU to pass legislation, both a transfer of competence and a legal basis are required. In the area of gender equality, areas of competence are not that clear cut. The most prominent legal basis is Article 157(3) TFEU, which enshrines the right to equal pay and the competence to pass legislation in this area. Another important article is 19(1) TFEU allowing for legislation to combat discrimination based on sex. Important directives have been passed in the field of gender equality such as Directive 92/85/EC

on maternity leave, Directive 92/85 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding and EU Gender Equality Recast Directive (2006/54/EC) on gender equality in the area of employment. An important area that has not yet been covered by the EU is paternity leave. There is no common EU legislation and thus no uniform notion of the concept of paternity leave.

1.1 Problem Statement

With the view to increasing gender equality in the labour market, how can the EU reduce the gender pay gap and make it easier for women and men to combine paid work, household and care activities?

1.2 Objectives

As the ultimate goal is to achieve gender equality, with these proposals we want to realize the following:

- More transparency on gender (in)equality in companies
- Reduce gender segregation in the labour market
- Avoid violation of father's rights by introducing a compulsory paternity leave
- Fiscal incentives to increase female participation in the labour market, through financial benefits and individual taxation
- Raise more awareness on the issue of gender inequality among citizens

2. Context: European Commission Strategy

Strategic Engagement for Gender Equality

Equality between women and men is a fundamental value and objective of the EU and a driver for economic growth. The Commission's strategy for equality between men and women for the period of 2016-2019 has 5 key areas for action:

- I. Equal economic independence for women and men
- II. Reducing gender pay, earnings and pension gaps and thus fighting poverty among women
- III. Promoting equality in decision-making
- IV. Combating gender-based violence and protecting and supporting victims
- V. Promoting gender equality and women's rights across the world

Following this strategy we have identified and developed four main aspects that require attention and action on an EU level.

3. Policy Proposals

3.1 Reducing the Gender Pay Gap

At the EU level, the gender pay gap is defined as the relative difference in the average gross hourly earnings of women and men within the economy as a whole. The average gender pay gap in the EU is 16.1%, which rises to 16.5% in the Eurozone.

Despite the encompassing presence of gender pay gap in all EU countries, several praiseworthy measures have been taken by some Member States in the last few years to address this issue. Since 2012, Belgian law obliges companies to carry out a comparative wage analysis every two years focusing on gendered differences in salaries. In 2012, France increased sanctions against companies with more than 50 employees that do not respect obligations concerning gender equality. In 2015, the UK government passed a national law stating that companies with more than 250 employees will have to publish the mean and median gender pay gaps for salaries and bonuses, as well as the number of women and men in each quartile. The data will be used to produce rankings according to sector; in the future also firm-to-firm rankings are likely to be made.

Overall, the ambitious yet reachable goal that should be pursued would be to reduce the gender pay gap by 5% in a 10 year timespan. Reasonably, this may be achieved if the Member State implement the recommended policies.

3.1.1 Gender Budgeting and Wage Transparency

The existing issues regarding the gender wage gap and the lack of transparency in this regard, together with the lack of harmonisation across Member States, call for urgent action to tackle this situation. One extremely useful measure would consist in the creation of a certificate for 'virtuous' enterprises issued by the European Commission. The evaluation would be based on the following parameters:

- Internal availability of updated data on gender pay gaps among the firm (it is recommended to follow the UK model, including mean, median and quartiles in the publication).
- Firms' spending and investments targeted at reducing the gender wage gap and at achieving equality in salary and working conditions among genders.
- Inclusion of women in high-level decision-making, notably by applying the 40% quota of women in boards previously proposed by the Commission.

The certificates may be divided in gold, silver, bronze according to the merits of the firm, and should be issued every three years.

At the same time, Member States should be strongly encouraged to carry out appropriate and proportionate measures to increase gender wage transparency and sanction the firms that do not comply to gender equality standards over a reasonable timespan. In some Member States (Austria, UK, Sweden), firms are already legally obliged to provide data about wages to their employees; it is desirable to expand the harmonisation between Member States in this sense.

To achieve this aim, *super partes* gender pay audits aimed at assessing the degree of wage transparency and gender mainstreaming in large firms (having more than 250 employees) should be put into place.

3.1.2 Encouraging Statistical Data Collection

Gender statistics are indispensable for identifying inequalities between men and women, and are needed for the purposes of gender policy development and implementation.

Eurostat provides a broad range of data depicting the economic situation of women and the consistent gender gap within the EU. However, this should be extended by data that provides insights not only in the household but also the individual level. Moreover, what is still lacking is a sufficient level of standardised research on public opinion on gender (in)equality topics. Both Eurostat and Eurobarometer could provide this data through targeted questions, as they already do on many critical topics for the EU.

3.1.3 Gender Training Workshops

Companies can gain a better reputation by undertaking gender training workshops and profit from the positive results, arising when more strong-performing women and less weak-performing men are competing in the labour market. This makes hiring processes more efficient.

This soft intervention can be an alternative to hard incentives such as women quotas. The workshops have to be offered by an external person or institution who is more skilled and better-informed than the persons who are to be consulted. Internal advice should be offered as well to employees to combat the underrepresentation of women in top positions and encourage women and men to re-evaluate their respective performance and decide to enter (or not to enter) competition based on their skills instead of the perceived stigma of their gender. It is recommended for the European

Union to encourage Member States to make these measures compulsory for the public sector and follow the example of Luxembourg and Greece. It is also highly recommended to promote the impact of gender training and advice in the private sector as well as in schools and universities. The latter are to encourage young Europeans to overcome the gender segregation in the labour market.

3.1.4 Ensuring Gender Diversity

Gender diversity has been positively linked to more competitiveness and to better financial performance, such as higher productivity, profits and returns on investments of companies. Member States are recommended to encourage companies to establish an improved internal corporate culture using an equal opportunities and diversity policy that places importance on gender diversity in accordance with the UN Women's Empowerment Principles.

When employees are happy at work, their productivity and efficiency increases, which improves the economic performance of companies. Discrimination, harassment, victimisation and intimidation at work lead to the contrary and therefore Member States are recommended to encourage companies to remove barriers to legal complaints mechanisms. Easier access to these mechanisms for employees to claim their rights through a special contact person ensures companies' proper corporate responsibility and accountability.

3.2 Work-life Balance

3.2.1 The Social Way

While maternity leave is compulsory in all Member States, there is no EU legislation on paternity leave. 23 Member States offer some sort of paternity leave. Cyprus, Czech Republic, Germany, Ireland and Slovakia do not offer this. The duration of paternity leave is 12,5 weeks on average, but the duration differs greatly between Member States, with one working day in Italy to 64 working days in Slovenia. 13 countries have a leave of 10 working days or more, but Italy, Greece, Luxembourg, Malta, the Netherlands, Hungary, Romania, Croatia, Latvia and Sweden offer a paternity leave of 9 working days or less (European Parliament, 2015). In reality, many fathers do not take up all days they are allowed to. A research by the Institute for the Equality of Women and Men in Belgium found that 25% of the Belgian fathers did not know about the existence of the leave and 11% had difficulties with their employer to take up their leave (European Parliament, 2015).

Proposal

As there is no compulsory paternity leave, fathers do not always have the opportunity to take time off work in order to bond with their child, and have no rights of enforcement against their employer. This lack of compulsory paternity leave violates father's rights. Therefore, a compulsory paternity leave of a minimum of ten days should be introduced. Furthermore, this can also eliminate the stigma that many fathers face when taking paternity leave and lead to a more equal division of household and care activities between parents.

3.2.2 The Fiscal Way

There is consistent evidence showing that the elasticity of second-earners' decisions to work or to stay at home, especially those of women, increases when having children. This means that they are more sensitive towards the tax system, marginal tax rates, and fiscal incentives. In the context of a traditional family model, high marginal tax rates are a strong disincentive for second-earners for going into the labour market. This is enhanced in the case of joint taxation systems, persistent in five European countries (Germany, France, Ireland, Luxembourg and Portugal) and to some extent in eleven others. This threatens the economic independence of second earners and contributes to the pension gender gap. Furthermore, joint taxation penalizes single parent family units. It presents a risk of poverty of this family model, strongly affecting the quality of life not only of single parents but also of their children.

Individual taxation

In the field of individual taxation, the EU should make Member States aware of the importance of providing second-earners the right incentives in terms of taxation. This can be done through a recommendation for Member States to promote, within their national autonomy, patterns of individual taxation in their countries in the medium term.

The EU should emphasize the benefits of increasing women participation in the labour market, in terms of reducing risk of poverty in a society, ensuring pension sustainability, and enhancing economic growth. Furthermore, by giving second-earners the right fiscal incentives to go into the labour market, such a measure would also increase the state's revenue thanks to their incorporation to the tax system. The proposal should also emphasize the benefits of individual taxation itself: such a model would ensure the neutrality of the fiscal system towards the family model, and would lead to a better integration into society of the increasing number of non-traditional family models.

Incentives for a more equal share of parental leave

The European Commission should also encourage national governments to introduce other measures in the area of fiscal incentives, which could be based in best practices already working in Member States. One example of this is the Swedish model, which introduced incentives for a more equal share of parental leave. This is done through the introduction of fiscal deductions for those couples who share these leaves in an equal manner: parents who share their leaves equally receive a SEK 50 (\approx € 5.5) tax-free daily bonus for a maximum of 270 days.

Fiscal deductions for childcare

Fiscal deductions can also be recommended in the area of childcare. The Commission should advise Member States to design policies which do not encourage women to stay at home after having children, but which ensure that they are able to go back to work. Fiscal deductions for childcare is a measure which proved to accomplish that objective in the Netherlands, where it highly increased the amount of children enrolled in formal care services, allowing second-earner parents to go back into the labour market.

3.2.3 The Business Way

Creating awareness

It is important to create awareness about the fact that women working full-time often struggle achieving work-life balance or even shy away from working because they are not able to combine work and family life. Therefore, studies about the reconciliation of work and family life should be conducted. They are necessary to show how flexible work arrangements improve the work-life balance for women and increase their satisfaction with their work.

Family-friendly company certificates

Despite the fact that women's employment rate within the EU has reached an unprecedented high of 65% within the past years, women still dominate the part-time work sector, with 32% of employed women working part-time compared to only 9% of employed men. As the high percentage of women in part time work is one of the main causes of the gender pay gap, the EU should encourage and incentivize women to work full time. Many highly qualified women with valuable knowledge and experience either cease to work full time after having a child or are discouraged to work full time due to lacking childcare options. Flexible working times and family friendly company policies can help couples to share the burdens of child raising in a more equitable fashion. Clearly, such measures are in the economic interest of companies, since the full potential of employees can be exploited and motivation and work ethics will increase leading to a better overall performance of the company.

Proposal

Two certificates shall be awarded to companies for work-family reconciliation measures and the consideration of specific needs of parents.

The first certificate follows the German best-practice audit '*berufundfamilie*', which has been adopted by several Member States. Within an extensive auditing process, companies can set individual targets, and can be awarded a certificate for their implementation. As this auditing and certification system has already set ground for a European standard, it should be supported on an EU level and spread out into all Member States.

Nevertheless, it does not provide information about the actual quality of work-life balance since the company-specific targets vary considerably. Therefore, the introduction of a new standardized European certificate for family-friendly companies, honouring companies with exceptionally high standards, should additionally be promoted. This certificate will be awarded to companies in accordance with the following six points:

- Provision of childcare facilities at work or close to it
- Possibility of working from home
- Flexibility of scheduling working hours
- Possibility of taking extra unpaid days in case of family emergency situations
- Appointment of a family-work reconciliation officer
- Existence of re-entry programs after parental leave

Both certificates are to be monitored on a regular basis and can be withdrawn. These certificates would allow companies to position themselves as particularly family-friendly and would therefore improve reputation among parents, in particular women; they would feel valued as full employees and could contribute without having to sacrifice family responsibilities. Eventually this increases employee loyalty and motivation, reduces fluctuation among employees as well as absence from work, and will in the long-term lead to higher productivity and innovation levels.

Conclusion

With the aim to increase gender equality in the labour market within the EU, we have identified two key areas for action: (i) reducing the gender pay gap and (ii) improving the work-life balance. We recommend that the Commission takes the following measures. First, the gender pay gap can be reduced by means of gender budgeting and wage transparency, extended collection of statistical data, gender training workshops, and easily accessible complaint mechanisms. Second, work-life balance can be improved

through compulsory paternity leave, fiscal incentives and taxation systems and flexible work arrangements. This gives the EU the possibility to ensure equal opportunities for all EU citizens and to improve the participation of both men and women in the labour markets of the Member States. These proposals create the foundation for a transformation of the current economic and social systems and structures in order to enhance equality between the genders.