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GENDER PAY GAP AND WAGE DISCRIMINATION IN SWITZERLAND

Note by the Federal Statistical Office, Switzerland¹

Supporting paper

SUMMARY

This paper examines the issues of the gender pay gap and wage discrimination in Switzerland. Using the Swiss Earnings Structure Survey (SESS), gender pay gaps are assessed according to various variables. On the same basis explainable and unexplainable factors of the average wage gap are distinguished. The results show that approximately 40% of the average wage gap (representing about CHF 700 a month) is based on unexplainable, i.e. discriminatory, characteristics.

I. STARTING POSITION

1. In Switzerland, the Gender Equality Act forms the legal basis for the promotion of real equality between women and men. This act has been in force since 1 July 1996. The Gender Equality Act covers all areas of working life, from hiring, to further education, to dismissals, to salaries and sexual harassment in the workplace. Both direct and indirect discrimination are banned. When women and men are paid a different wage for equal work within the same enterprise, wage discrimination exists as defined by the Gender Equality Act. A wage discrimination suit can be brought in such cases.
2. In order to evaluate the effectiveness of the Gender Equality Act, the Federal Statistical Office (FSO) and the Federal Office for Gender Equality (FOGE) jointly investigate at regular intervals the wages of women and men in Switzerland. First of all, wage gaps between women and men are assessed according to various variables. Secondly, detected wage gaps are analysed in terms of wage discrimination. The analysis is based on the results of the Swiss Earnings

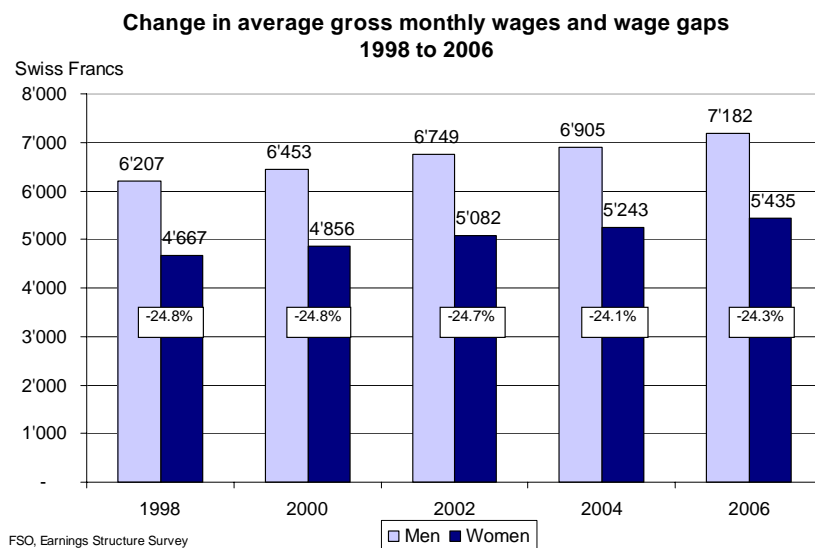
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Structure Survey (SESS) which is carried out every two years.² The results from the analysis from 1998 to 2006 are presented here.³

3. The FSO generally publishes all results of the Earnings Structure Survey broken down by sex (see information portal www.lse.bfs.admin.ch and www.equality-stat.admin.ch). Since 2008, the FSO has also made available an individual online salary calculator known as "Salarium". This tool calculates the expected wage for a profile of 15 freely selectable variables and also shows the influence of various factors on the wage, including the influence of gender by economic branch. See www.swiss-salarium.bfs.admin.ch.

II. WAGE GAPS 1998 TO 2006

4. The approximately 1.1 million women who were employed in the private sector in 2006 earned around a quarter (24.3%) less than their male colleagues (with part-time jobs converted to full-time equivalents). The gap is narrowing slowly but steadily: The average wage gap between women and men declined by only 0.5% in eight years (1998-2006).



Explainable characteristics

5. One person, one job, one wage – this is a situation that rarely exists in the real working world. Each individual brings a backpack with different contents to the workplace and what individuals expect from their workplace varies as much as the conditions in different enterprises. Different factors play a greater or lesser role in the setting of wages. Explainable characteristics sometimes result in considerable wage gaps between men and women, but this does not mean

² In 2006, the Earnings Structure Survey covered 46,300 enterprises. By including approximately 1.6 million employees, the SESS provides a representative overview of the wage situation of employees working in industry and the service sector throughout Switzerland and its major regions. For the year 2006, the data (extrapolated) refer to approximately 2.5 million employees. The survey is representative of all branches of the economy with the exception of agriculture.

³ Cf. Vergleichende Analyse der Löhne von Frauen und Männern anhand der Lohnstrukturerhebungen 1998 bis 2006 (Comparative analysis of the wages of women and men based on the Earnings Structure Surveys 1998 to 2006). Study conducted as part of an evaluation of the effectiveness of the Gender Equality Act. Büro BASS AG and the University of Bern on behalf of the Federal Statistical Office (FSO) and the Federal Office for Gender Equality (FOGE), Bern, 2008. The complete final report (in German) can be found on our website: http://www.bfs.admin.ch/bfs/portal/de/index/themen/03/04/blank/key/lohnstruktur/nach_geschlecht.Document.112211.pdf

that they ought to be considered wage discrimination. For example, women earn less than men because they are underrepresented in demanding and managerial positions and because they work in low-wage branches of the economy. Additional reasons: women have lower educational qualifications, have occupations that pay less, are younger and have less professional experience than men in the enterprises in which they work. These explainable characteristics are contributing factors to the determination of an individual's wage:

- **Individual qualification characteristics**

6. Women in employment have, on average, less experience and lower educational qualifications than men. Part of the wage gap is attributable to these differences. The wage gap grows with age: men can demonstrate more professional experience because they generally do not interrupt their careers. Many women leave the labour market, either altogether temporarily or work part-time, for family reasons. This lowers their earning potential. Women are markedly underrepresented among persons with 20 years of service. In this group, the wage gap is approximately 27% to the disadvantage of women. The higher the educational qualification, the higher the salary. This is true, but the wage gap is particularly wide among academics. Female academics earn on average 30% less than their male colleagues.

- **Workplace-related characteristics**

7. At which hierarchy level does a person work, what requirements does she or he have to meet and in what branch of the economy is she or he employed? These are key factors for the determination of an individual's wage.

8. The higher the post and the requirements,

- the higher the wage
- the lower the proportion of women
- the higher the wage gap between men and women.

9. Some 43% of employees in the private sector are women, approximately three quarters of whom work in jobs without management function. Women without management function earn, on average, 14% less than men. At the top management level women's representation is about 18%, but they earn approximately 31% less than men.

- **Enterprise-specific characteristics**

10. Big companies with more than 500 employees show an above-average wage gap. Such companies have more room for manoeuvre in terms of continuing education programmes and wages. Big companies pay extraordinarily high top salaries for top management positions, most of which are occupied by men.

11. Wage gaps vary widely across the industry, trade and service sectors. The biggest wage gaps are found in big companies and in the banking, insurance and IT branch: here women earn between 31% and 37% less than men. The smallest wage gaps (between 9% and 10%) have been registered in the construction and hotel industries and in the traffic and transport branch. In the textile and leather processing industries, on the other hand, women are paid 29% less and in the financial sector more than 37% less than men. That said, in the financial sector (banking, insurance) the wage gaps are primarily attributable to explainable characteristics; this sector has the second lowest level of wage discrimination (see diagram 3).

12. In regional comparison, the Greater Zurich Region shows the largest difference in average private sector wages (more than 29%). More than one quarter of employees work in this region. Moreover, the Greater Zurich Region has the highest wage level, and Ticino the lowest. At just under 22%, the Espace Mittelland registers the lowest wage gap between men and women.

- **Individual characteristic: marital status**

13. Marital status, like a person's origin, is an individual characteristic that ought not to have any influence on an individual's wage. Nonetheless, there is a significant wage gap between married women and married men. Married women are paid, on average, 31% less than married men, partly because they have re-entered the job market or because they work part-time in occupations that pay less. On the other hand, unmarried women earn on average "only" 10% less than unmarried men.

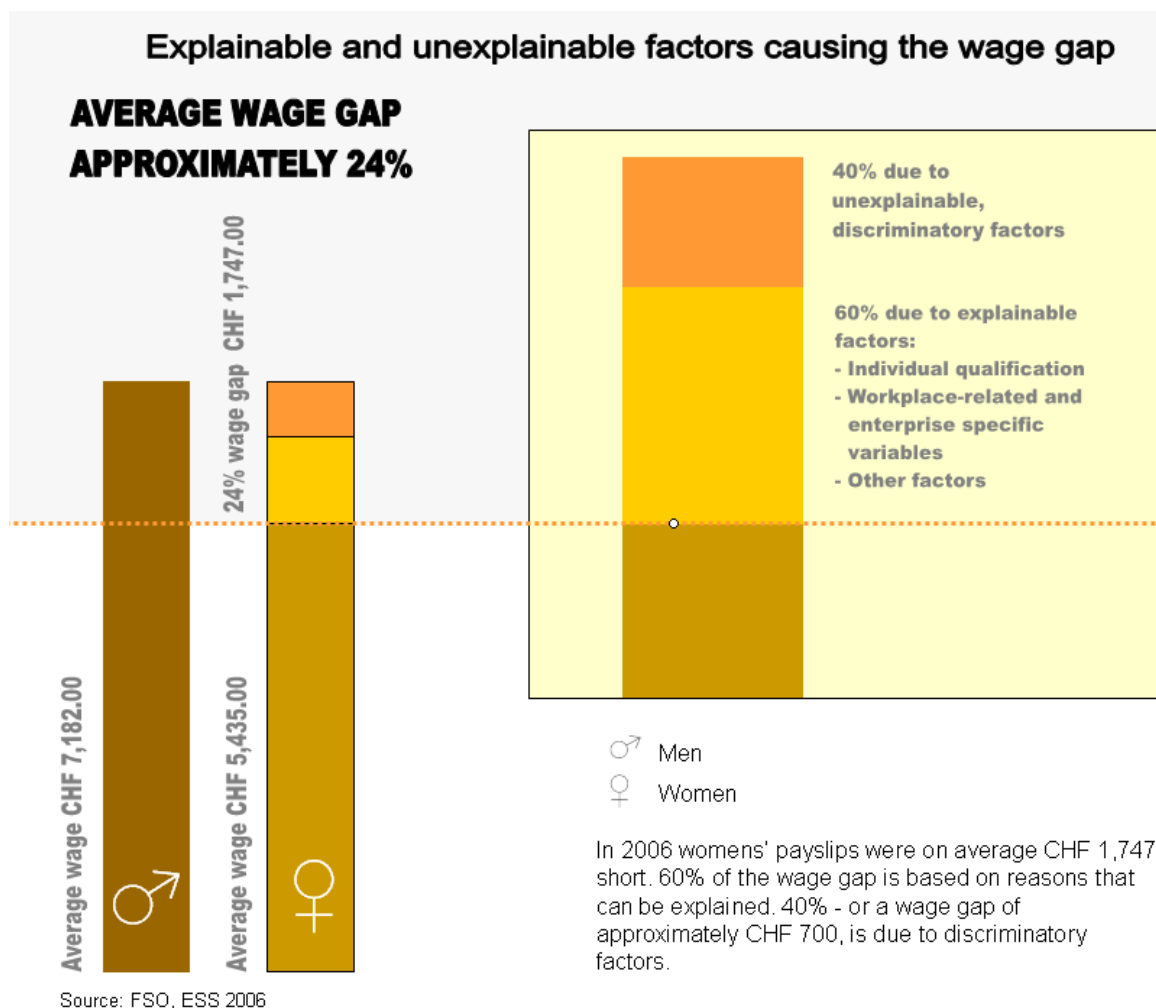
Share of employees by marital status, share of women and average wage gap

Marital status	Share of employees by marital status			Share of women	Wage gap
	Men	Women	Total	<i>within the same marital status</i>	
Unmarried	34.6%	35.7%	35.1%	43.6%	-10.0%
Married	58.1%	50.6%	54.9%	39.6%	-31.0%
Other marital status	7.3%	13.7%	10.0%	58.6%	-24.9%
Total	100.0%	100.0%	100.0%	42.9%	-24.3%

Source: FSO, ESS 2006

III. WAGE DISCRIMINATION 2000 TO 2006

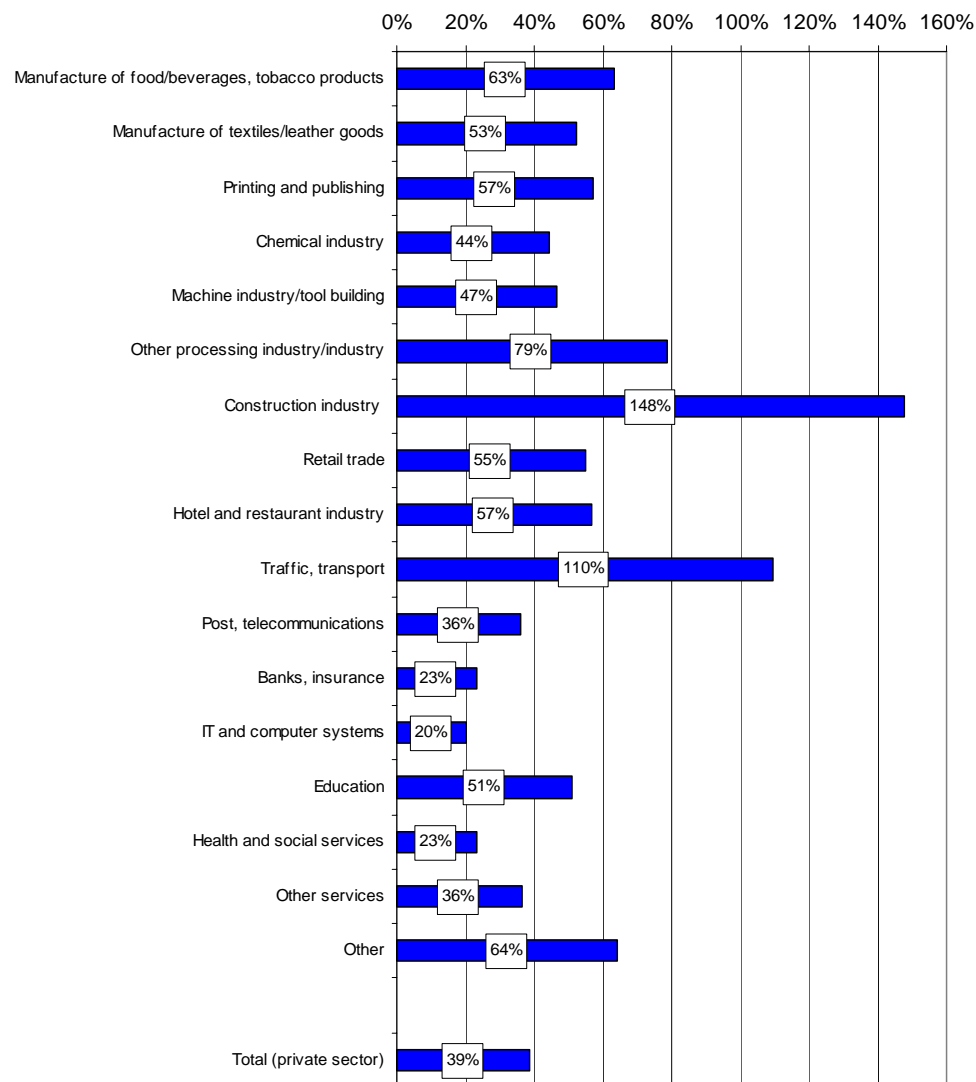
14. In 2006, women earned on average CHF 1,747 less than men. There is no plausible explanation (such as qualifications, position, branch of the economy) for approximately 40% (representing about CHF 700 a month) of this lower wage level. In such cases, one assumes that gender-based wage discrimination is at play, i.e. that women with the same prerequisites as men are paid a lower wage. More than half of the discrimination is accounted for by women's "base wage". This base wage, i.e. the wage for employees without any experience, qualifications, etc., is about 6% lower for women than for men. The remainder of the discriminatory wage gap is due to the different remuneration of individual factors.



Change by branch

15. The development of wage discrimination varies widely from one branch of the economy to another. In the construction sector as well as in the traffic and transport sector, discriminatory wage gaps are extraordinarily high. In these sectors, women actually ought to earn more than men based on their qualifications. In fact, however, wage discrimination increased between 2002 and 2006. Yet it should be noted that in the construction sector as well as in the traffic and transport sector the average wage gaps are among the smallest (9,1% resp. 10,1%). The lowest wage discrimination levels are found in IT, health and social services, as well as among financial service providers. But financial services also register the largest wage gap due to explainable variables. Marked improvements have been made in retail trade and in the textile and chemical industry.

**Decomposition of wage gaps by branches:
share of unexplained (discriminatory) factors, 2006**



FSO, Earnings Structure Survey

On average, 60% of wage gaps are based on explainable factors and 40% on unexplainable discrimination factors. There are big differences in the relative shares of discrimination between branches. For example, in education the wage gap is 51%, which is 12% above the national average. Shares of discrimination of over 100% mean that women, based on their qualifications and type of activity, actually ought to earn more than men in these branches. Since this is not the case, shares of discrimination are very high. But it should be noted that in the case of the construction and traffic and transport sector, occupational segregation between women and men is particularly significant. Furthermore the wage gaps in the construction sector as well as in the traffic and transport sector are among the smallest (9,1% resp. 10,1%).

Change in discriminatory wage gaps 2000 to 2006

16. The share of wage discrimination in the average wage gap between men and women has continually declined since an increase in the year 2000. In 2006 it was still 38.6%.

Breakdown of the wage gap between men and women 1998 - 2006

Private sector

	1998	2000	2002	2004	2006
Share of explainable gap: Due to explainable characteristics	58,9%	55,6%	58,0%	60,5%	61,4%
Share of wage discrimination: No explainable reasons for gap	41,1%	44,4%	42,0%	39,5%	38,6%
Source: FSO, ESS 2006					

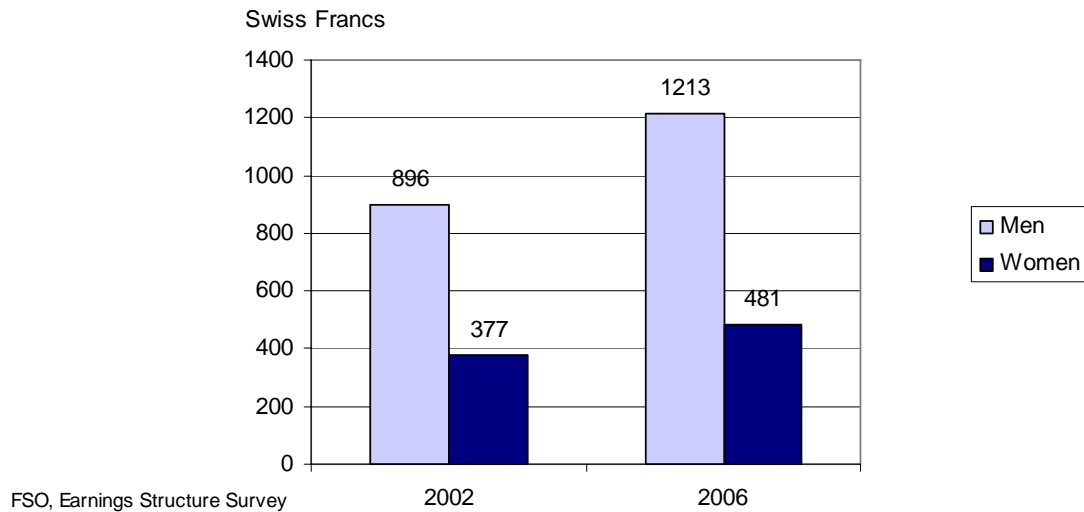
Women in management positions

17. Women in high paying jobs are also affected by wage inequality and discrimination. At the highest management level of the service sector, women have not only to accept the biggest wage gap (31%), but also the largest share of unexplainable, i.e. discriminatory, factors. The reasons for this could be:

- Different and not openly declared requirements for promotion for men and women with equal qualifications: only women with above-average skills succeed in climbing the career ladder.
- The "glass ceiling" phenomenon: women hit a point in the salary hierarchy above which they cannot climb, or only to a very limited extent.
- The "sticky floor" phenomenon: after their entry into working life, women have to wait for long periods for promotions and wage increases. The reason for this is that employers are unsure how long women will stay with the enterprise. Women therefore also benefit from further education and training later than men.

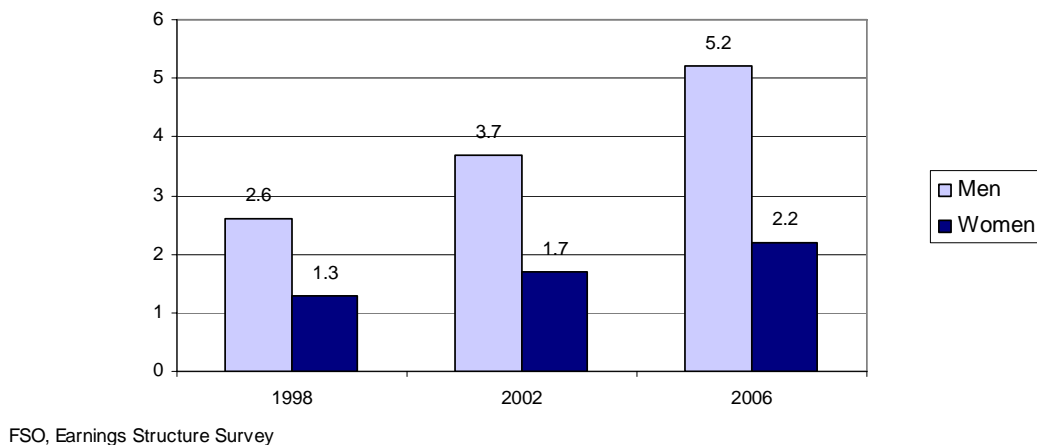
18. The wage gap also grows because of special payments. Wage components based on results have grown markedly. Irregular special payments include, for example, bonuses, provisions, sales and profit share and gratuities. This growing trend contributes to the bigger inequality in the higher salary bracket. On average, three out of ten employees receive special payments; men not only account for a higher proportion of recipients, but they are also paid significantly higher sums than women.

Average monthly special payments



In 2006, men received on average CHF 732 more than women in the form of special payments.

Share of "special payments" wage component in gross wage in %



Results-related special payments have become an increasingly large wage component particularly for men. In 2006, men were paid more than 5% of their gross wage in the form of special payments; among women the share was just over 2%.

Federal administration/private sector

19. To what extent is wage equality guaranteed in the federal administration and in enterprises of the Confederation? Of the approximately 120,000 employees in 2006, about one third were women and their average work-time percentage was 67%.

- Average wages are, particularly for women, higher than in the private sector.
- In the federal administration women earn approximately 18% less than men, in the private sector approximately 24% less.
- Among over-40-year-olds, the wage gaps are above average.

- Women are even rarer in the top levels of management than in the private sector.
- The unexplainable, i.e. discriminatory, shares in the wage gap are approximately 18% in the federal administration, which is less than in the private sector, where they are approximately 40%.

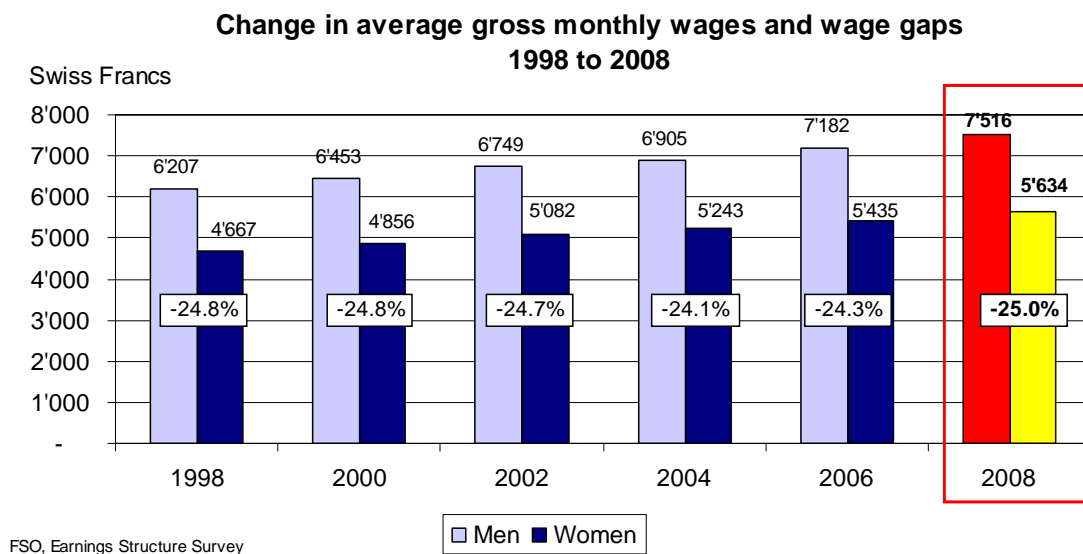
IV. METHOD

20. In order to determine the causes of the wage gaps between women and men, wage equations (regression analyses) are calculated in the econometric analysis.⁴ These make it possible to determine the isolated influence of the different explanatory factors on wages. The share of the wage gap between women and men which cannot be explained by differences in objective factors such as qualifications, job-specific and enterprise-specific variables, is usually interpreted as being discriminatory.⁵

21. In the present analysis, the analysis of wage gaps by means of OLS regressions focuses on average wages. A calculation using the median would be very laborious and unusual.⁶ Wages are converted to full-time equivalent gross monthly wages (40 hours). This approach makes it possible to make wage comparisons irrespective of work-time percentages.

V. CONCLUSION AND OUTLOOK

22. In Switzerland, the average wage gap between women and men rose to 25% (private sector) in 2008.



⁴ Specifically, in the present analysis OLS regressions and Oaxaca decompositions were estimated.

⁵ The regression analysis method is generally used in economics to determine wage discrimination across the national economy. Under certain circumstances (sufficient enterprise size, sufficient share of women), this method can also be used to determine wage discrimination in individual enterprises. The Federal Gender Equality Office and the Federal Procurement Commission use the same method to monitor wage equality compliance in federal procurements. Cf. <http://www.ebg.admin.ch/themen/00008/00072/00080/index.html?lang=de>

⁶ Otherwise, the FSO always publishes the results of the Earnings Structure Survey with the median value.

23. As part of the monitoring of the implementation of the gender equality policy, wage gap trends are continuously analysed by the Federal Office for Gender Equality and the Federal Statistical Office. More thorough analyses of the data from the SESS 2008 are currently under way. These will shed light on how the relative shares of explainable and unexplainable factors for wage gaps between women and men are changing and will continue to change in the future. The results of the regression analysis will be available in May 2010. The results of the analysis of the next Earnings Structure Survey 2010 will be published in 2012.

24. The results of the analysis of the wages of women and men based on the Earnings Structure Survey are regularly consulted by policymakers. The most recent example: In order to accelerate the implementation of the wage equality policy, on 1 March 2009, a "Wage Equality Dialogue"⁷ was initiated which is expected to continue until 2014. Participants in the Wage Equality Dialogue include the umbrella organisations of employers and employees as well as the Federal Office of Justice (FOJ), the State Secretariat for Economic Affairs (SECO) and the Federal Office for Gender Equality (FOGE). As many enterprises as possible ought to be motivated to monitor their wages on a voluntary basis and to eliminate any discrimination they may find.

⁷ <http://www.ebg.admin.ch/themen/00008/00072/00312/index.html?lang=de>