



## GENDER WAGE GAP: CAUSES AND CONSEQUENCES

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**Abstract:** *These studies' main objective is to investigate the gender wage gap, its causes, and its effects. Perhaps making up roughly half of the workforce, women are still paid less than males. Some academia's claim that women have more qualification likely than men. Women are typically paid significantly less than males, particularly in Africa. In the workplace, wage discrimination is a reality. Society must rise up and fight for diverse inclusiveness and fair pay generically. Despite the equal pay legislation being in place for 50 years, women of all races and educational levels continue to be paid less than men. As women advance in their careers, it only becomes worse. Women who are developing their careers and working hard to reach the pinnacle have many negative effects as a result of the wage disparity, which makes them feel unworthy and helpless. Everyone should be concerned about the gender gap since it is an imperative problem that must be solved because it may be highly demoralizing for women. Following extensive reviews of the existing literature on the gender pay gap between men and women, some questions about why women receive lower pay and less favorable employment opportunities than men evaluated, as well as how individuals, businesses, women, and societies can change the gender pay gap narratives that exist between men and women even though women possess the same qualifications as men. Though some factors were recognized as causes of less pay such as, time out of workforce, working hour, risk averse, occupational gender stereotype and less labour force participation etc.*

**Keywords:** *Gender Gap, Workforce, Wage Discrimination, Education, Labor Force Participation.*

### Introduction

The issues of gender pay gap has become an important issue of discussion and intensively examined by scholars, hence the way organizations structure their workforce is explicit, thus organizations should know what to do first and things to set as top priority. Any company or organization that operates in the gender gap runs the danger of being seen as less than totally committed to providing women with equal opportunity for advancement, compensation, and development. Both in the western countries and other economically developed countries, Blau and Kahn (2008) contended that there has been a significant long-term trend toward closing the gender wage gap. One of the apparent effects is that you become perceived as a less desirable employer, which hurts your ability to hire when hiring bright employees is crucial to your success.

A considerable amount of value is added to all economies by boosting gender engagement and closing the gender gap, according to several studies on the subject of gender gap and labor participation that have been done over the years. Despite this, certain firms have made great strides in closing the gender pay gap over the past 50 years, with the median gap decreasing from 47.6% in 1970 to 16.8% in 2016. Numerous sectors and industries do admirably when measured

against this standard. In addition, studies have attempted to measure the factors contributing to the remaining pay disparity. A number of themes have emerged, such as the fact that men and women perform distinct jobs; for instance, in developing nations, women make up 95% of nurses while males make up 90% of engineers. Meanwhile, it is noticeable that jobs done by women are undervalued, both in terms of the value society places on the jobs and the wage people are paid. Jobs with a higher percentage of women tend to be lower paid, and if, over time, the proportion of women increases average pay goes down further.

According to gender pay gap statistics, women make up 20% of the highest paid quartile and 30% of the lowest paid quartile, although males make up the majority of senior roles in businesses. In a similar vein, men occupy more of the most senior roles. Given that the gender pay gap is a quantifiable measure of the disparity in earnings between men and women. The majority of governments have enacted laws ensuring that men and women are paid equally. Among the conventions that has been ratified the highest is the ILO Equal Remuneration Convention, 1951 (No. 100). Still, the gender wage gap continues, and the World Economic Forum projects that, based on the pattern seen over the previous 12 years, it will take 202 years to close globally. Even when women advance to higher paying jobs in management, the gender pay gap is frequently found.

However, in some cases, the gap is similar to the overall gender pay gap and in other cases it is larger or smaller depending on the economic sectors and industry profile of different countries, the kind of jobs where women or men are concentrated in the labour market, as well as gender norms that reserve management jobs mainly for men. The gender pay gap needs to be considered in the context of overall gender inequality. It is one of the more visible examples of structural gender discrimination stemming from the horizontal and vertical segmentation of labour forces. The greater participation of women in the labour market and their higher levels of education alone have proven to be insufficient to dismantle this segmentation.

### **Purpose of the Study**

The purpose of this study is to examine the effect of gender wage gap, causes and its consequence. There is need to have greater understanding on gender wage gap, thus the occurrence in the workforce and the implications this may have on nations GDP. Also keen on the variation point of view on gender wage gap and the underlying changes that it will bring to organizational performance when implementing diversity and inclusion. The study discourse is based on related and existing literatures, facts, journals and articles upon which valuable components obtained for elucidation. The study will be significant to body of knowledge, organizations, researchers and academia's as it will offer a framework for understanding the full concept and the importance of closing gender wage gap which is relatively to women. Meanwhile useful conclusion and recommendation made to encourage government and the society at large to look into the subject matter.

## **Literature review**

The issues of gender wage gap has been a standing point of discussion over the years, as different scholars and authors gives their views based on facts and existing literatures. This study examine gender wage gap, it causes and consequence underlying existing literature reviews and journals.

### **Concept of Gender Wage Gap**

Over time, the topic of the gender wage gap has become a groundbreaking subject. The International Labour Organization (ILO) reports that, globally, women are still typically paid about 20% less than men. Between countries, there are notable variations that range from a high of more than 45% to almost any. There has been a decrease in the gender pay gap in certain countries, but not in others. The gender pay gap is a measurable measure of disparity between men and women. Laws ensuring equal pay for men and women are in place in most governments. The 1951 ILO Equal Remuneration Convention is one of the treaties with the most ratifications (No. 100). The World Economic Forum predicts that closing the gender wage gap globally will take 202 years, based on the trajectory displayed during the preceding 12 years. The gender pay disparity still exists, though. The gender pay gap is frequently found, particularly in cases where women advance to higher-paying managerial roles. Studies show that the difference ranges from a high of 43% in Honduras to a low of 0% in El Salvador, Thailand, and Albania.

The gap varies depending on the economic sectors and industry profiles of different countries, the types of jobs where women or men are concentrated in the labor market, as well as gender norms that reserve management jobs primarily for men. In some cases, the gap is similar to the overall gender pay gap, while in other cases it is larger or smaller.

### **Challenges of Gender wage gap**

The gender pay gap analysis process necessitates taking into account the current global context. According to the ILO Global Wage Report for 2018/19, global wage growth in 2017 was not only lower than in 2016 but also hit its lowest growth rate since 2008, remaining well below levels observed previous to the global financial crisis, despite modest advancements in economic development and employment. Weak productivity growth and rising global competitiveness are the causes of this. being concerned about how the lackluster wage growth that has turned into a roadblock to attaining sustainable economic growth is impeding efforts to close the gender pay gap. Applying the idea of "equal remuneration for work of equal value" is a challenge for many firms. For instance, not everyone understands what "work of equal value" is. The reason for this is that women usually occupy roles that are different from those of men. The problem is in how these occupations are compared both within the organization and between various industries and economic sectors. In several countries, methods for assessing jobs have been developed and are applied to differing degrees. One reason for the persistence of the gender pay gap is the technical challenges associated in developing and utilizing job comparisons.

## **Causes of Gender pay gap**

Fewer women than men are in management and leadership positions, especially at higher levels. When women are managers, they tend to be more concentrated in management support functions such as human resources and financial administration than in more strategic roles. This brings down the average salary of female managers compared to that of male managers. Some of the causes are;

**Working hours:** There is often a gender wage gap because men and women participate in the workforce in different ways. Women are more likely than males to work part-time in all but five of the 73 countries for which statistics are available, according to the ILO's Global Wage Report 2018/19: The Causes of the Gender Pay Differences. This often has to do with women taking on more unpaid household tasks. One possible consequence of a lack of easily available and quality child care is that women may choose to work part-time. However, given that they could have fewer possibilities for full-time employment than men, women might decide to work part-time. Part-time work may not always provide benefits that are proportionate.

**Feminized jobs:** Due to occupational gender stereotypes, some jobs are held primarily by women, which results in the undervaluation of "female jobs" when determining compensation rates. Due to the fact that gendered jobs and sectors typically pay less than those dominated by males, this lowers women's salaries overall relative to men. Additionally, companies that primarily employ women typically pay lower wages than those that mostly employ males.

**Time out of the workforce:** More often than not, women take career pauses from their jobs to raise children, take time off for pregnancy, or tend to aging or sick family members. This implies that upon their return to work, they would probably have lagged behind in terms of pay and advancement. The problem of part-time employment and career breaks might not exist in many nations because domestic helpers and family members are easily accessible. However, given the dynamic nature of labor markets, this condition is subject to change.

**Education:** In most regions, women are graduating from postsecondary institutions at a higher rate than men, and they are moving up the STEM career ladder. However, women still trail males in STEM fields that are linked to higher-paying employment. Even when women are qualified in STEM fields, it can be difficult for them to find and keep a job because these fields are usually dominated by men.

**Occupational gender stereotyping:** this results in certain jobs being held predominately by women, and that leads to female jobs being undervalued for purposes of wage rate determination. This brings down wages across the board for women compared to men as feminized occupations and industries tend to pay less than those occupations and industries dominated by men. Also, enterprises that employ a majority of women tend to have lower wages than businesses employing mainly men.

**Risk averse:** women have been found to be more risk averse than men on average which could lower their relative wages. However, to the extent that this factor operates through gender differences in occupational sorting and reductions in occupational segregation by sex. This is also

given that men and women have different skills and qualifications and work in different occupations and industries.

**Less Labor force participation:** labor force participation is a crucial factor in understanding developments in women's wages. This is the case both because the receipt of wages is conditional on employment, and also because women's labor force attachment is a key factor influencing the gender wage gap. According to Goldin (2006) there has been an improvement, that he termed it "quiet revolution" in gender roles that underlies women's progress in narrowing the gender wage gap and other dimensions of labor market outcomes.

### **Consequence of Gender pay gap**

Gender wage gap or inequality between men and women over the years has been a mixed reaction. Statistically reduces global GDP by 5.8 percent yearly, as women earn on average substantially less than men. Women are more likely to live in poverty due to their lower salary, larger concentration in part-time, informal, and precarious labor, as well as career breaks or job loss as a result of their disproportionately high rate of taking on unpaid care work. Their reduced social security contributions and thus insufficient or nonexistent social security benefits make them particularly vulnerable as they age. Women typically receive pensions that are 37% less than men in the EU alone. Overall, women's labor is undervalued; traditionally "feminized" occupations typically pay less than so-called "male jobs do. Other consequences are;

- **Feminization of poverty:** In Canada and New Brunswick, a higher proportion of women than men live in poverty (18% of adult women and 13% of adult men in Canada in 1994). Elderly and single mothers in particular are particularly prone to poverty. Between 1961 and 1991, the proportion of single-parent families increased sharply, reaching 20% of all families with children. 82% of lone-parent families are headed by women, and 63% of lone mothers' children in New Brunswick come from low-income homes.
- **Increased dependency on social programs and transfer payments:** Women who are poor are more likely to require social assistance and other subsidized services including healthcare, housing, and child care. The standard of living for working women and their families would rise, and other women would be more financially motivated to join the workforce as a result of higher compensation for women. (10, 6 - 7) Comparatively to 8% of men's total income in 1993, 13% of women under 65's total income came from transfer payments (social assistance, child tax benefits, pensions, unemployment insurance, training allowances, etc.). For these women, the average transfer payout was \$2,441, while for the men it was \$2,350. Transfer payments account for 37% of the income for single mothers. Women over 65 receive 62% of their income from transfer payments, compared to 47% for men, as opposed to 19% for men. (79, 7.13-7.14).
- In addition to important issues of equity and equality, the pay disparity lowers national economic growth. The additional tax revenue from pay equity would be in the billions, and fewer women would be eligible for low-income tax benefits. Researchers came to the following conclusion in a 1991 study done for the provincial-territorial Ministers of Education: "Canada's GDP will rise significantly in future decades if women participate in the labour force on an equal basis as men." The future labor force in Canada was

examined under four different scenarios, ranging from women's participation remaining roughly the same as it is now to women's participation becoming equal to men's in terms of numbers and occupational patterns. By 2036, the scenario in which women participate equally would result in a GDP that was \$335 billion higher than under the scenario in which women's labor force participation remained essentially unchanged. However, the research warns that "this optimistic forecast cannot be realized unless much stronger and more comprehensive measures are taken to improve women's access to education and training opportunities.

### **Benefits of closing gender wage gap**

Women who earn equally to males gain from having more purchasing power, which in turn boosts consumer spending and the economy. This is also true for increased pension plan contributions and pension income spending. PricewaterhouseCoopers predicts that the GDP of economies in the Organization for Economic Co-operation and Development could increase by more than US\$6 trillion if the gender pay gap is completely closed. Additionally, women may earn \$2 trillion more than men. By encouraging more women to participate in the workforce, closing the gender wage gap can advance gender equality and foster a positive feedback loop. According to studies, higher GDP levels are associated with higher rates of female labor participation. According to the ILO, closing the participation gap between men and women by 25% by 2025 may increase global GDP by 3.9%, or US\$5.8 trillion.

### **Countries variation on Gender wage gap**

The average gender wage gap is 23%, which means that for every hour worked, women make 77 cents less than men do. There are certain nations where the pay gap is far wider. For instance, women earn more than 30% less than males in Japan and South Korea on average for the same amount of hours worked, and in Azerbaijan and Benin, the gender wage difference is higher than 40%! The pay discrepancies are significantly wider for migrant women, women of color, disabled women, and women who identify as indigenous. Gender wage disparities keep existing despite advances for women in the labor market in many nations, and they have barely altered overall over the past 15 years<sup>2</sup>. Although the pay gap has decreased by 12 percent in Latin America and the Caribbean since 1990, women still make a quarter of what men do in this region. According to global projections, the salary gap between men and women won't be closed until 2069<sup>4</sup> if current patterns continue. Accelerated effort is required to narrow the gender wage gap since the current rate of change is unacceptable. Women have a disproportionate share of positions in the service industry in OECD nations (84%), especially in fields like health, retail, and social work. Contrarily, men are far more prevalent than women in higher-paying employment in the manufacturing and construction sectors. By 2014, 59 nations had implemented legislation mandating equal compensation for work of equal value. This is according to a UN report. In recent years, some governments have also put in place measures to increase pay transparency, making it simpler for employees to spot gender pay gaps and for the government to spot places where equal pay laws are being broken (some recent country case examples are highlighted below). The European Commission recommended EU Member States to implement measures to allow

employees to request information on pay levels that are broken down by gender and carry out pay audits of businesses in a Recommendation on Pay Transparency Measures that was published in 2014. Only 11 of the 28 EU Member States have such legislation in place.

However, gender discrimination, both explicit (paying an employee less because of their gender) and covert (unconscious bias), continues to be a widespread issue and a significant factor in the gender wage gap. It continues to be the main cause of the gender pay gap in many nations, accounting for about 38% of pay differences in Australia, for example.

## **Methodology**

The study adopted a non-parametric or qualitative approach to examine gender wage gap. The secondary data were sourced through literature review, journals and articles, as various components and elements were taken into consideration for the purpose of the study.

## **Conclusion**

To reduce differences between average earnings of men and women, society needs to tackle gender segregation in education and in our labour markets. Societies should do more to address the long established cultural reasons leading to a persisting gap. This means promoting gender neutral choices of individuals at all stages and in all aspects of their lives. According to research, getting it things right, like gender participation on health and safety standards, technology training standards, makes a lot of progress.

However, in analyzing the gender pay gap, the current global context needs to be borne in mind. The ILO Global Wage report of 2018/19 notes that despite some increases in economic growth and employment, global wage growth in 2017 was not only lower than in 2016, but fell to its lowest growth rate since 2008, remaining far below the levels observed before the global financial crisis. Reasons for this include slow productivity growth and the intensification of global competition. Of concern is that slow wage growth has become an obstacle to achieving sustainable economic growth, and it is also affecting efforts to reduce the gender pay gap. "Equal remuneration for work of equal value" is a challenging concept for many enterprises to apply, even when their governments have ratified ILO Equal Remuneration Convention, 1951 (No.100).

## **Recommendation**

The study of gender wage gap has been a complex of inter-play factor among scholars and working environment. Based on the study, the following research recommendations are made;

- Government should create a policy framework that will eliminate structural gender discrimination both in wage gap and labour force participation to attain inclusiveness at workplace.

- Measures should be put in place to enhance greater participation of women in higher level education and labour market to reduce the sufficiency of these segregation on gender wage gap.
- Equal pay for equal value should be champion by organizations to reduce lower work participation why creating standing policies on the issue.
- Government should constantly promote developmental opportunities for women in educational section, technical know-how and employability skills and in labour force participation to reduce gender wage gap.
- Societies ought to take more action to address the long-standing cultural factors that contribute to the wage gap's persistence.
- Performing a gender pay review within the company to determine whether and to what degree there is a gender pay gap. By performing periodical pay reviews, a company can stay on top of any inconsistencies, and making sure that reviews of performance are not impacted by unintentional gender bias.

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