

E. Discrimination: The unexplained component of the gender wage gap

1. Assessing the gender wage gap

The gender wage gap can be divided into “explained” and “unexplained” components. In the ILO’s *Global Wage Report 2014/2015* (ILO, 2015d), the explained and unexplained gender wage gap is assessed for a set of mainly developed countries. While the “explained” component may be attributed to observable labour market characteristics, such as experience, level of education and employment sector, discrimination and other unexplained factors account for the “unexplained” component. In the United States, where women hold 62 per cent of jobs that earn the minimum wage or less, the gender wage gap for lower-paid workers is largely explained (Krogstad, 2014). For better-paid women, however, a larger share of the gender wage gap remains unexplained. Similarly, in Chile and the Russian Federation, unexplained factors largely account for differences in pay between men and women (ILO, 2015d).

The unexplained factors mostly cited by the literature, which are not necessarily separated from discrimination, include returns for unobservable or non-measurable characteristics, including risk taking, flexibility over work commitments, working unusual hours, higher mobility, competition, ambition, work effort and difference in responsibilities. In addition, discrimination also plays a role in exacerbating the gender wage gap. Employers may discriminate against workers based on their subjective prejudice against women (Petreski and Mojsoska Blazevski, 2015). For instance, social expectations and stereotypes about women and real or potential motherhood may contribute to the gender wage gap. Employers may justify paying women less because of what they perceive as women’s lack of commitment to their jobs. All women are perceived to be potential mothers or carers and they may be overlooked when more challenging assignments or even promotions are made. Then, when women do have children, even if their hours are not reduced, employers and colleagues assume that they have a reduced commitment (Lips, 2013a). Consequently, employers may practice what could be termed “statistical discrimination”, by assuming that all women expect to interrupt their careers, show less interest in training to improve their skill-sets and are less likely to take positions where the compensation is future-loaded (Rubery and Grimshaw, 2015).

Discrimination against pregnant workers and workers with family responsibilities – or “maternity-related discrimination” – is a pervasive problem around the world. Growing evidence shows that “maternity harassment” – namely, the practice of harassing a woman because of pregnancy, childbirth, or a medical condition related to pregnancy or childbirth, or a worker because of family responsibilities – is also widespread. There are also concerns that, in a number of countries, discriminatory or violent practices grew during the economic crisis (ILO, 2015n). For instance, a 2015 survey of the United Kingdom Equality and Human Rights Commission found that 11 per cent of the women respondents reported having been dismissed or made compulsorily redundant, while others in their workplace were not, or were treated so poorly that they felt they had to leave their job. If scaled up to the population of the United Kingdom, this could mean as many as 54,000 women losing their jobs each year. The study also found that one in five new mothers experienced harassment or negative comments from their employer or colleagues related to pregnancy or as a result of flexible working requests being approved. This could represent as many as 100,000 mothers per year (EHRC, 2015).

Another 2015 survey commissioned by the Government of Japan on the prevalence of “maternity harassment” (*matahara*) shows that 48.7 per cent of women who work on short-term agency contracts were victims of unfair dismissal (over one fifth), demotion, unfair treatment or verbal abuse. The survey also found that 21.8 per cent of employees with full-time regular contracts suffered from similar mistreatment. The number of maternity harassment complaints has risen by 18 per cent since 2009, in parallel with the increase of the number of women who return to work after maternity leave (McCurry, 2015).

As several authors have suggested, however, discrimination also influences the explained factors of the gender pay gap (Lips, 2013a and 2013b; Tharenou, 2013; Petreski and Mojsoska-Blazevski, 2015). For example, the work experience of women and men may differ given that women are more likely to work reduced hours, adopt flexible work arrangements or take career breaks to attend to family responsibilities (ibid.). As discussed above, women’s and men’s decisions to be flexible are largely shaped by the work culture and, consequently, women continue to take more career breaks than men. As indicated earlier, occupational and sectoral segregation leads to the concentration of women in lower paid positions, which also explains part of the gender wage gap. Both of these factors are affected by family responsibilities, gender stereotypes, cultures and norms, which cannot be attributed to personal choice alone.

Social institutions can also perpetuate discrimination and thus diminish or exacerbate existing gender inequalities, including the gender wage gap. Social institutions, which encompass both formal and informal laws, may be considered discriminatory when they undervalue women’s status in the household or labour force or limit their decision-making powers (Branisa et al., 2013; Gonzales et al., 2015; Demirguc-Kunt et al., 2013). As seen in the section on women’s entrepreneurship development, discriminatory social