



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria –Vlada-Government

ZYRA E KRYEMINISTRIT/ OFFICE OF THE PRIME MINISTER/ URED PREMIJERA
AGJENCIA PËR BARAZI GJINORE / AGENCIJA ZA RAVNOPRAVNOST POLOVA/
AGENCY FOR GENDER EQUALITY

GENDER PAY GAP IN KOSOVO

October 2020



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“The Gender Pay Gap report is supported by UN Women. The views expressed in this document, do not represent the views of UN Women in any way”

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INTRODUCTION

Pursuant to the Law on Gender Equality- Article 11, the Government of the Republic of Kosovo has drafted and approved the Kosovo Program for Gender Equality- KPGE 2020-2024. One of the activities of this program foreseen for 2020 by the Agency for Gender Equality, was to conduct a research on the gender pay gap. This initiative aims to implement the obligations arising from the Law on Gender Equality, respectively Article 8 point 1.9 of this Law, which requires analysis and inquiry of the situation for the implementation of the obligations imposed by this Law. Moreover, this research set an initial threshold in the RKS to follow the situation over the years, as a globally proven practice for collecting "better data that ensure taking good actions" in setting priorities on the gender equality agenda.

The data of this research based on the analysis of the current situation, prove once again that the presence of inequalities and socio-economic structural exclusion continue to hinder the empowerment of the role of women in society. Women in Kosovo continue to face high unemployment and at the same time lower compensation for women than for men in the same labour market characteristics. This proves to be the result of direct and indirect discrimination. They face a lack of financial resources, do not generate sufficient income by operating within the lower paid sectors such as services, and at the same time under the pressure of family obligations and gender stereotypes, continue to be over-represented in less paid study directions. Women continue to be under-represented in decision-making in most sectors. This research aims to analyze the challenges they face. Also bring to the fore the basic concept, which is a precondition for achieving gender

¹, Drafted under the guidance of Agency for Gender Equality – Office of the Prime Minister, Decision No.01/34.

equality, the principle of "equal pay for work of equal value". The lower compensation for women, evidenced in this new research emphasizes that it is necessary to take additional positive measures to compensate the historical and social disadvantages that prevent women from achieving the same results and salary in the same job. Such measures are valuable development investments, especially where they will be accelerating, innovative or strategic, such as study orientation and the inclusion of women in employment, and the identification of sectors where there is a greater demand for employment, with higher salaries, where they can develop their full potential, get out of poverty, and thus aim to address a gender inequality affected by the historical consequences of the cultural norm.

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Thank you,
Edi Gusia
Chief Executive Officer / Agency for Gender Equality/ Office of the
Prime Minister

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Original report is written in English.

1. Introduction

Kosovo Agency for Gender Equality has initiated the research on gender pay gap in Kosovo, to implement the Law on Gender Quality-Article 8, Point 1.9, to conduct situation analysis, for implementing legal obligations that derive from this Law. This activity is co-financed by Kosovo Agency for Gender Equality and UN Women.

The 2018 Global Wage Report has shown that, on average, women continue to be paid less than men across the world, though with large variations between countries. The report highlights that the gender pay gap in different parts of the wage distribution may generally be due to differences in observable labour market attributes, such as lower levels of education for women, or they may be due to unexplained differences in returns for these attributes, the undervaluation of women's work in highly feminized occupations or enterprises, reduced or stagnant wages for women who are mothers, or quite simply lower pay for women than for men in spite of equal work or work of equal value in the same enterprise.

In EU and national level, the gender pay gap remains a political priority (EIGE, 2019). According to EIGE recent research note, the gender pay gap in the EU shows that, on average, women's gross hourly pay is 16 % lower than that of men. It further reports that the accumulated impact of gender inequalities in employment results in a 40 % gender gap in overall net yearly earnings and, over the life course, a consequent 37 % gender gap in pensions to the disadvantage of women. The EIGE research note (2019) a number of pathways serving to form the gender pay gap, including major labour market biases as horizontal (occupational) and vertical segregation within the labour market, gender bias in working intensity, human capital formation across the life course, and factors linked to gendered organisational cultures and interlinks between private life and the labour market. Ehrenberg and Smith (2003) summarise sources of the explained part of the gender wage gap. Different levels of educational attainment between men and women have historically been considered as one of explanatory variable for pertaining gender pay gap. Given that over time, the gender gap in education level has been reduced, the education has lost much of its relevance in explaining the earnings gap. By working fewer hours and acquiring less experience due to career interruptions over their lifetime, most often due to childcare and unpaid housework, women earn less than men. Women are more likely than men to interrupt their careers with spells of non-employment, primarily to look after young children, which interruptions can explain a sizeable portion of the gender pay gap (Bertrand et al., 2009 in Manning, 2011). Differences in occupational choices between women and men are still relevant sources of the wage gap in consolidated market economies, but they have also started losing their power over time (Ehrenberg and Smith, 2003).

Sectoral gender segregation may explain part of the difference in earnings of men and

women, when one sex tends to be concentrated in low-paying economic sectors and the other sex tends to be concentrated in high-paying sectors. For example, women can tend to work in lower-paying sectors (in Kosovo, cleaning sector or babysitting, which remains largely low paid and informal sector) whereas men can tend to work in higher-paying sectors. The overrepresentation of women in the traditionally female occupations and sectors of the economy, which are characterised by lower wages than the traditionally male occupations and sectors, can persist due to both workers' preferences and labour market discrimination. Path dependency (reflected in social norms and cultural constraints) reproduces new generations of women who, by choosing the type of education they pursue, self-select into lower wage occupations and sectors of the economy, even in the absence of tangible barriers to their entry into the traditionally male-dominated sectors (Avlijas, et al., 2013). A similar explanation can be provided with regards to occupational gender segregation, whereby one sex tends to be concentrated in low-paying occupations and the other sex tends to be concentrated in high-paying occupations Avlijas, et al., 2013. Occupational gender segregation may also be partially caused by men being more often promoted to supervisory and management positions than women due to discrimination. The term 'glass ceiling' is used as a metaphor to describe an invisible barrier that keeps women from rising beyond a certain level in an enterprise's hierarchy (Avlijas, 2013). However, gender pay gap prevail also in high paying sectors: for example a recent report by International Renewable Energy Agency-IRENA (2019) reports that in the renewable energy sector, women continue to earn less than men across occupational categories. The pay gap appears for multifaceted factors, including: women's greater concentration in lower-paying, non-technical and administrative jobs and in junior positions; women's comparatively weaker negotiating positions; their greater likelihood of taking time off from their careers for parenting and care-giving; and the attitudes and values of employers, and in some cases be the result of pay discrimination. The unadjusted is a rather complex indicator. Its measurement covers both possible discrimination between men and women through 'unequal pay for equal work' and the differences in the average characteristics of male and female employees. The unadjusted Gender Pay Gap gives an overall picture of the differences between men and women in pay. It measures a concept that is broader than the concept of 'equal pay for equal work or work of equal value'. A part of the difference in earnings of men and women can be explained by differences in the average characteristics of male and female employees (Eurofound, 2010). The differences in the average characteristics can result from many factors, including the concentration of one sex in certain economic activities or the concentration of one sex in certain occupations. The first phenomenon is called 'sectoral gender segregation' and the second one is called 'occupational gender segregation'. Boraas and Rodgers (2003) analysis shows that both men and women are paid less in female-dominated sectors than in male-

dominated sectors. Using data from a large U.S. panel dataset has been conducted by Bayard et al. (2003), show that wages are lower in establishments which are predominantly female, and also in occupations within establishments where more females work. Cueto and Sanchez-Sanchez (2010) analysed how occupational wage gaps differ across sectors of the Spanish economy. In their assessment they differentiate between feminised (a predominant share of female workers), masculinised (a predominant share of male workers) and gender-neutral sectors and find that the gender wage gaps vary systematically across the three types of sectors. The gap in wages between men and women in feminised sectors is narrower than in the other two, and it is mostly explainable by different characteristics of the women and men working there (Cueto and Sanchez-Sanchez, 2010). Therefore, wage discrimination between the genders is not universal across all sectors, as it seems to be much more pronounced in the masculinised ones.

The principle of “equal pay for work of equal value” is a key one for advancing gender equality. Lower returns to the same labour market characteristics for women than for men can be the result of direct discrimination, where a woman is, for example, is paid less for exactly the same position as a man (within an establishment), or the result of more covert practices, such as reduced opportunities for job promotion among women equally qualified as their male counterparts. Employers may treat women differently from men at the point of hire-which is recognised as allocative discrimination. Moreover, discrimination may occur in promotion and hiring. Allocative discrimination is a very significant source of labour market discrimination against women (Petersen and Saporta, 2004), by also identifying valutive discrimination, which refers to the phenomenon that female-dominated occupations are paid less, although skill requirements and other wage-relevant factors are the same across both female- and male-dominated occupations.

The ILO Bureau for Employers' Activities (ACT/EMP) surveyed many companies on the top barriers to women's leadership, which results were published in 2015 in the global report on Women in Business and Management: Gaining momentum. According to this study, five of the barriers to women's leadership were related to discrimination and unconscious gender bias, with the second most-cited barrier was the social roles of men and women. Respondents also mentioned the general perception that management is a man's job. The third most-cited barrier was masculine corporate culture. The respondents also cited stereotypes against women and inherent gender bias in recruitment and promotion. Likewise, research by McKinsey and Company confirmed that invisible barriers are holding women back, rather than overt sexism alone. Gender biases in the mind sets of managers can prevent women from advancing into leadership positions.

European Commission 2019 Fact sheet on gender pay gap enlists the following three main factors that contribute to women earning less than men for doing jobs of equal value: segregation in the labour market also reinforces the gender pay gap. Women and men still

tend to work in different jobs; stereotypes, whereby segregation is frequently linked to stereotypes, fewer women work in scientific and technical jobs, while women often work in lower valued and lower paid sectors of the economy; and work-life balance: far more women than men choose to take parental leave, which together with a lack of childcare facilities, means that women are often forced to leave the labour market.

In Kosovo, equal pay for equal work is guaranteed with the Labour Law No. No.03/L –212. Article 55 of the Law, explicitly states that the employer shall pay men and women an equal remuneration for work of equal value covering base salary and any other allowances. However, there is no evidence whether this legal provisions is implemented. The only available evidence so far is taken from the Labour Force Survey, indicating a slight wage difference between women and men. However, these estimates rely on the wage data organised in intervals and the estimation does not control for any attributes of employees. This study aims to fill the gap, by extracting data from a 2017 large scale survey-Labour force and time use survey (LFTUS) commissioned by the Millennium Challenge Corporation. The assessment is conducted by using the decomposition method, the most commonly used approach. The decomposition has twofold benefits: first, estimation of explained gender pay gap by labour market characteristics, provides valuable information for policy makers to properly target differences in endowments and characteristics between women and men: for example, by reducing differences in educational attainment or by encouraging women and men to diversify across occupations or sectors; and secondly, if the size of the unexplained component is large, this may suggest that reducing the gender pay gap also requires measures to eliminate pay discrimination and promote legal frameworks and policies conducive to equal pay for work of equal value between women and men.

¹ https://ec.europa.eu/info/sites/info/files/factsheet-gender_pay_gap-2019.pdf

2. Data source and methodology

2.1 Data sources

Quantitative data

To assess the gender pay gap data are extracted from the large scale Labour Force and Time Use Survey conducted in 2017 and commissioned by the Millennium Challenge Corporation in Kosovo. Survey was conducted with 8,533 households, collecting employment information on 32,742 individuals. The survey was cross-sectional, with data collection occurring over a 17-week period between March 31, 2017 and August 4, 2017. Similar to the Labour Force Survey conducted by the Kosovo Agency of Statistics, the MCC survey is aligned with the Eurostat methodology.

The rationale for using the MCC survey is due to the fact that it collected data on wages, whilst in the LFS implemented by the Kosovo Agency of Statistics the respondents are provided with list of wages organised in intervals.

In the report, unadjusted and adjusted pay gap are estimated, only for individuals that hold the status of employee, i.e. not those that are self-employed with or without employees. The primary variable for this analysis is the net wage per month, reported by waged employees, i.e. not including self-employed individuals. From the survey, in total there are 8,367 waged employees, out of which 32% (2,663) are women, and remaining 5,704 are men. The paper follows the methodology utilised in a recent assessment conducted by Eurostat (Leythienne and Ronkowski, 2018). To decompose the unadjusted gender pay gap, information on observed characteristics are utilised, consisting of: a) the personal characteristics of individual employees such as age, education and job experience, b) the types of job done by individual employees, and c) the types of employers that individual employees work for.

Qualitative data

To gain a better understanding about the gender pay gap, two focus group discussions have been organised, one with employees from the private sector and one with employees from the public sector. The private sector focus group was composed of 7 employees (6 women and 1 men), coming from the banking sector, insurance companies, trade and service sector. In the public sector focus group, there were 8 participants (7 women and 1 men) employed in ministries, agencies and publicly owned enterprises.

2.2 Estimation methodology

To estimate the gender pay gap, the pay (GPG) is measured with net wage per hour. The sample consists of waged employees aged 15 or more years. The unadjusted gender pay gap is measured by running the standard Mincer equation (1974), which depicts the wage difference between women and men. As an unadjusted indicator, the GPG gives an overall picture of the differences between men and women in pay. It measures a concept that is broader than the concept of 'equal pay for equal work or work of equal value'. A part of the difference in earnings of men and women can be explained by differences in the average characteristics of male and female employees (Eurofound 2010). The differences in the average characteristics can result from many factors, including the concentration of one sex in certain economic activities or the concentration of one sex in certain occupations. The first phenomenon is called 'sectoral gender segregation' and the second one is called 'occupational gender segregation'. The different concentrations may explain part of the difference in earnings of men and women, with one being concentrated in low-paying economic sectors and the other sex tends to be concentrated in high-paying sectors. Therefore, the unadjusted GPG is a rather complex indicator. Its measurement covers both possible discrimination between men and women through 'unequal pay for equal work' and the differences in the average characteristics of male and female employees (Avlijaš et. Al, 2013).

To assess the gender pay gap, the Blinder Oaxaca decomposition (Blinder 1973; Oaxaca 1973) is used, a commonly used methodology utilised in study labour market outcomes by groups (sex, race, etc.). This methodology divides the wage differential between two groups into a part that is “explained” by group differences in productivity characteristics such as education or work experience and a residual part that cannot be accounted for by such differences in wage determinants (Jan, 2008). This “unexplained” part is often used as a measure for discrimination, but it also subsumes the effects of group differences in unobserved predictors (Jan, 2008). The Blinder Oaxaca decomposition, first estimates two group-specific regression models and then performs the decomposition. Detailed description of the methodology can be found in Jan (2008).

3. Labour market indicators in Kosovo

Despite consistent positive economic growth, Kosovo is characterised with high inactivity rate, low employment and high unemployment rate (Table 1). According to the Labour Force Survey, in 2018 only 40.9% of working age population were active in the market (i.e. employed or unemployed), only 28.2% were employed and 29.6% of the labour force were unemployed.

Table 1: Key labour market indicators, 2012-2018

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|------|------|
| Labour force participation rate | 36.9 | 40.5 | 41.6 | 37.6 | 38.7 | 42.8 | 40.9 |
| Inactivity rate | 63.1 | 59.5 | 58.4 | 62.4 | 61.3 | 57.2 | 59.1 |
| Employment-to-population ratio (employment rate) | 25.5 | 28.4 | 26.9 | 25.2 | 28.0 | 29.8 | 28.8 |
| Unemployment rate | 30.9 | 30.0 | 35.3 | 32.9 | 27.5 | 30.5 | 29.6 |

Source: KAS, 2012-2018 LFS

Stark gender divide in the labour market persists in Kosovo. According to Labour Force Survey, in 2018, only 18.4 % of women are active as opposed to 63.3 % of men. Although with a much lower activity rate, the unemployment rate of women remains higher than that of men. Whilst women represent 49.3 % of the working age population, they constitute only one fifth of the total employed individuals in Kosovo (KAS, 2019). This is due to low employment rate, recorded at 12.3% for women in 2018 as opposed to 45.3 % of men- a rate more than three times higher than that of women. Across period 2012-2018, on average, the gender gap in employment was about 31 percentage points. Data presented in Table 2 reveal that gender differences sustain also among youth, indicating that the gap will persist in coming years as well.

Table 2: Labour market indicators, by gender 2012-2018

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | M | W | M | W | M | W | M | W | M | W | M | W | M | W |
| Labour force participation rate | 55.4 | 17.8 | 60.2 | 21.1 | 61.8 | 21.4 | 56.7 | 18.1 | 58.3 | 18.6 | 65.3 | 20.0 | 63.3 | 18.4 |
| Employment-to-population ratio (employment rate) | 39.9 | 10.7 | 44.0 | 12.9 | 41.3 | 12.5 | 38.7 | 11.5 | 43.0 | 12.7 | 46.6 | 12.7 | 45.3 | 12.3 |
| Unemployment rate | 28.1 | 40.0 | 26.9 | 38.8 | 33.1 | 41.6 | 31.8 | 36.6 | 26.2 | 31.8 | 28.7 | 36.6 | 28.5 | 33.4 |
| Youth unemployment rate (15-24 years) | 52.0 | 63.8 | 50.4 | 68.4 | 56.2 | 71.7 | 54.2 | 67.2 | 47.2 | 65.4 | 48.4 | 63.5 | 51.5 | 64.7 |

Source: KAS, 2012-2018 LFS

Next Chapter, focuses in analysis of gender pay gap.

² Oaxaca command in Stata, explained in details by Jan (2008). Group 1=men; group 2 women.

4. Gender pay gap in Kosovo

In this chapter, the unadjusted and adjusted gender pay gap is assessed. As indicated above, the assessment covers only waged employees. Out of 11,682 respondents as employed individuals, 63% (7,361) are waged employees, 17% are self-employed and remaining 20% are unpaid family workers. Out of 7,361 waged employees, 1,006 did not report their sex, hence are excluded from analysis. Women represent 26% of waged employees, namely 1,657 out of 6,355 individuals.

Initially, gender differences in wages as well as the structure of wage employment is provided. In Table 4, the wage for women and men e samples is split into few wage brackets and then compare the average wage of men and women within each of the brackets. Data show that 10% of women are paid up to 150 Eur, whilst the same share of men are paid up to 200 Eur. Discrepancies are observed also for the first and the third quartile.

As it can be noted from Table 3, the average net wage of women is 312 Eur whilst men earn 346 Eur, a difference of 34 Eur. Calculated by hours of work, women earn 0.10 Eur more per hour, namely women earn 2.2 Eur per hour and men earn 2.1 Eur per hour. In most countries, the gender pay gap is higher when the estimate is based on monthly wages rather than hourly wages, reflecting the fact that in most countries women and men differ significantly in respect of working time (Avlijaš et al., 2013)..

Table 3: Average wages for women and men

| Percentiles | Women | | Men | |
|-------------------------------|--------------|---------------|--------------|---------------|
| | Wage | Wage per hour | Wage | Wage per hour |
| 10%-1 st decile | 150 | 0.88 | 200 | 0.87 |
| 25%-first quartile | 200 | 1.15 | 250 | 1.14 |
| 50%-median | 300 | 1.80 | 300 | 1.56 |
| 75%-third quartile | 400 | 2.71 | 410 | 2.50 |
| 90% percentile | 470 | 4.30 | 500 | 3.33 |
| Average wage | 314 | 2.20 | 346 | 2.10 |
| Number of observations | 1,179 | 1,172 | 3,422 | 3,394 |

Source: Author's calculations based on MCC LFTUS 2017.

Following definition by Eurostat (2010), the unadjusted gender pay gap is calculated, an indicator measuring the difference between average gross wages of men paid employees and of women paid employees as a percentage of average gross hourly earnings of male paid employees. The indicator has been defined as unadjusted, because it gives an overall picture of gender inequalities in terms of pay and measures a concept which is broader than the concept of equal pay for equal work. Whilst Eurostat (2010) uses data on wages per hours

³ Based on LFS 2017 20% of waged employees were women, the share in 2018 was 24%.

worked, initially we will calculate the unadjusted gender pay gap using the average net wage. The unadjusted gender pay gap, using the net wage, in Kosovo, in 2017, is calculated at 9.8%, slightly lower than the gap in Albania recorded at 10.5% in 2017.

By education, consistent with economic expectations, wages grow with the level of education, i.e. there are positive returns to education (Table 4). The average wage of women with no education or primary education is 215 Eur, it increases to 272 Eur for those with secondary education, it reaches 388 Eur for those with graduate tertiary degree and peaks at 478 Eur for those with post-graduate tertiary education. Across all education groups, men earn higher wages than women: the biggest absolute difference is observed among women and men with post-graduate tertiary education (113 Eur), whilst the highest difference in relative terms (the unadjusted gender wage gap) is for those with no education or primary education (24%). Data also reveal that education level is negatively correlated with the wage gap between the genders, i.e. the higher education level, the lower is the gap.

Table 4. Wages per education level and gender

| | Women | | | Men | | | Unadjusted gap Eur | Unadjusted gap in % |
|---|---------|--------|-------|---------|--------|-------|--------------------|---------------------|
| | Average | Number | Share | Average | Number | Share | | |
| No education or primary completed - (ISCED 0+1+2) | 215 | 171 | 15% | 283 | 663 | 19% | 68 | 24% |
| Secondary education - (ISCED 3+4) | 272 | 559 | 47% | 328 | 2146 | 63% | 56 | 17% |
| Tertiary graduate degree - (ISCED 5+6) | 388 | 369 | 31% | 453 | 489 | 14% | 65 | 14% |
| Tertiary post-graduate - (ISCED 7+8) | 478 | 80 | 7% | 591 | 124 | 4% | 113 | 19% |
| Number of observations | | 1,657 | | | 4,698 | | | |

Source: Author's calculations based on MCC LFTUS 2017.

⁴ <http://www.instat.gov.al/media/4764/burra-dhe-grate-ne-shqiperi-2018.pdf>

By sector of employment, in the private sector, women earn 20% lower wages than men, while in the public sector this difference is 8% (Table 5). The gender gap exists also within NGOs and international organisations. This may provide some insights that the public sector discriminates against women less than the private sector, although it has been observed that workers in the public sector are more educated and that the gender wage gap shrinks as education levels grow.

Table 5: Wages by sector of employment

| | Women | | | Men | | | Unadjusted gap Eur | Unadjusted gap in % |
|------------------------------------|---------|--------|-------|---------|--------|-------|--------------------|---------------------|
| | Average | Number | Share | Average | Number | Share | | |
| Private | 244 | 627 | 53% | 305 | 2,331 | 68% | 61 | 20% |
| Public | 402 | 503 | 43% | 436 | 1,028 | 30% | 34 | 8% |
| NGO or international organisations | 320 | 47 | 4% | 413 | 62 | 2% | 93 | 23% |
| Number of observations | | 1,657 | | | 4,698 | | | |

Source: Author's calculations based on MCC LFTUS 2017.

When data are disaggregated by occupations, across all occupations, men earn higher average wages, with exception of occupation of skilled agricultural, forestry and fish, but given that only one women is employed in this occupation, this information does not have a power for analysis (Table 6). The highest unadjusted gender pay gap is observed among craft and related trade workers, which occupation employs 5% of women and 13% of men.

Table 6: Wages by occupation, by gender

| | Average | Number | Share | Average | Number | Share | Unadjusted gap Eur | Unadjusted gap in % |
|--|---------|--------|-------|---------|--------|-------|--------------------|---------------------|
| Managers | 430 | 44 | 3% | 494 | 137 | 4% | 64 | 13% |
| Professionals | 403 | 396 | 30% | 472 | 450 | 13% | 69 | 15% |
| Technicians and Associate Professionals | 356 | 62 | 5% | 436 | 102 | 3% | 80 | 18% |
| Clerical Support Workers | 355 | 97 | 7% | 380 | 175 | 5% | 25 | 7% |
| Services and Sales Workers | 220 | 233 | 17% | 267 | 486 | 14% | 47 | 18% |
| Skilled Agricultural, Forestry and Fish | 250 | 1 | 0% | 236 | 18 | 1% | -14 | -6% |
| Craft and Related Trades Workers | 188 | 70 | 5% | 335 | 454 | 13% | 147 | 44% |
| Plant and Machine Operators and Assemblers | 267 | 3 | 0% | 306 | 93 | 3% | 39 | 13% |
| Elementary Occupations | 238 | 150 | 11% | 302 | 860 | 25% | 64 | 21% |
| Armed Forces Occupations | 447 | 3 | 0% | 492 | 80 | 2% | 45 | 9% |
| Other | 120 | 273 | 20% | 317 | 567 | 17% | 197 | 62% |
| Number of observations | | 1,657 | | | 4,698 | | | |

Source: Author's calculations based on MCC LFTUS 2017.

It is interesting to study wages by sector, and analyse in which sectors women are concentrated. Data shown in Table 7 show that a higher share of women is employed in education and health sector, which are characterised with higher than average wages. Men work more in construction, which again is a sector with a wage above the average wage. Women are also concentrated in the trade sector and other services (31% compared to 22% of wage employed men), sectors that pays an average wage of 270 Eur, below the overall average wage.

Table 7: Wages per economic activity of employer

| Sector | Share of women | Share of men | Number of observations |
|--|----------------|--------------|------------------------|
| Agriculture, forestry and fishing | 1% | 2% | 251 |
| Mining and quarrying | 1% | 1% | 448 |
| Manufacturing | 6% | 8% | 296 |
| Electricity, gas, steam and air conditioning | 0% | 4% | 402 |
| Water supply; sewerage, waste management | 1% | 1% | 335 |
| Construction | 1% | 19% | 349 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 14% | 8% | 270 |
| Transportation and storage | 1% | 4% | 316 |
| Accommodation and food service activities | 4% | 7% | 266 |
| Information and communication | 3% | 2% | 372 |
| Financial and insurance activities | 3% | 2% | 417 |
| Real estate activities | 0% | 0% | 324 |
| Professional, scientific and technical | 1% | 1% | 511 |
| Administrative and support service activities | 3% | 2% | 410 |
| Public administration and defence; compulsory social security | 4% | 9% | 400 |
| Education | 22% | 9% | 420 |
| Human health and social work activities | 15% | 2% | 393 |
| Arts, entertainment and recreation | 3% | 2% | 283 |
| Other service activities | 17% | 14% | 284 |
| Activities of households as employers; | 1% | 0% | 279 |
| Activities of extraterritorial organisations | 1% | 1% | 600 |
| Other activities | 1% | 1% | 291 |
| Total | 100% | 100% | |

Source: Author's calculations based on MCC LFTUS 2017.

4.1 Unadjusted gender pay gap

In the basic Mincerian human-capital model (Mincer, 1974), schooling is assumed to be independent of ability, and that the return from schooling investments is equal for all individuals. However, in the contemporary literature it is acknowledged that the return to schooling must be different for different ability levels. Intuitively, an estimate of the average return to schooling probably over-estimates the return for low ability individuals and under-estimates the return to high ability individuals. One should, therefore allow ability to affect the rate of return to schooling investments.

Average monthly and hourly wages

As an unadjusted indicator, the GPG gives an overall picture of the differences between men and women in pay. It measures a concept that is broader than the concept of 'equal pay for equal work or work of equal value'. A part of the difference in earnings of men and women can be explained by differences in the average characteristics of male and female employees (Eurofound 2010). The differences in the average characteristics can result from many factors, including the concentration of one sex in certain economic activities or the concentration of one sex in certain occupations. The first phenomenon is called 'sectoral gender segregation' and the second one is called 'occupational gender segregation'. Sectoral gender segregation may explain part of the difference in earnings of men and women, when one sex tends to be concentrated in low-paying economic sectors and the other sex tends to be concentrated in high-paying sectors. For example, women can tend to work in lower-paying sectors whereas men can tend to work in higher-paying sectors. Similarly, occupational gender segregation may explain the difference in earnings of men and women, when one sex tends to be concentrated in low-paying occupations and the other sex tends to be concentrated in high-paying occupations. Occupational gender segregation may also be partially caused by men being more often promoted to supervisory and management positions than women due to discrimination. The term 'glass ceiling' is used as a metaphor to describe an invisible barrier that keeps women from rising beyond a certain level in an enterprise's/institution hierarchy. The unadjusted GPG is therefore a rather complex indicator. Its measurement covers both possible discrimination between men and women through 'unequal pay for equal work' and the differences in the average characteristics of male and female employees.

Mincer equation is used to calculate the unadjusted gender pay gap. Two regressions are run, one with the log monthly wage as dependent variable and the other with dependent variable measured in log wages per hour. We utilise the monthly wage, as hours worked itself may be a possible source of discrimination. The dummy variable depicting gender of employed individuals is used as the only explanatory variable. The dependent variable is log

of wages/wages per hour, in order to assess the difference between gender in percentage, rather than in Euro. The focus on the hourly wages implies that factors such as monthly working hours or the share of women and men in formal employment are beyond the scope of the indicator (EIGE, 2019).

Results shown in Table 8 show that on average, women earn 12% lower wages. However, when the log of hourly wages is used, on average, women earn 5% more than their male counterparts. However, this is the unadjusted wage gap, which does not control for characteristics of women and men, hence does not represent a reliable method for measuring the pay gap. The next section focuses on estimating the adjusted gender pay gap.

Table 8: Mincer wage regression

| Dependent variable | Coefficient for w omen | Significance level | Number of observations |
|-------------------------------|------------------------|--------------------|------------------------|
| Log net monthly wage | -0.12 | 1% | 4,601 |
| Log net monthly wage per hour | 0.054 | 1% | 4,566 |

Source: Author's calculations based on MCC LFTUS 2017.

4.2 Adjusted gender pay gap

In this Section, analysis switches from a simple calculation of the difference in the average wage between an average employed man and an average employed woman, i.e. the unadjusted pay gap, and reweigh it by labour market characteristics of each employed individual. This provides information on adjusted gender wage gap, i.e. the true wage gap between the genders. This enables to shed more light on the reasons of existence and persistence of the gender pay gap in Kosovo labour market.

The Mincer regression function is extended with variables accounting for personal, work experience and employer characteristics. Following literature review, with specific reference to a recent report published by Eurostat (Leythienne and Ronkowski, 2018), to measure the gender pay gap, explanatory variables for personal, job and employer characteristics are included, presented below:

Personal characteristics

- Age variable and age in square, to assess the non-linear relationships between age and wage; and
- To examine the impact of education level on wages, three dummy variables are included: variable for Group 1 equal to 1 if a person has no education or completed primary and lower secondary education, zero otherwise; group 2 dummy variable with value of 1 if a person has completed secondary or post-secondary vocational education, and zero otherwise; Group 3 is set to 1 for persons that have completed graduate tertiary degree, zero otherwise; and Group 4 represents individuals that have completed post-graduate tertiary degree. Group 4, represents the benchmark category;

Job characteristics

- A variable measuring the number of years, with the current employer;
- A dichotomous variable distinguished between permanent and temporary contracts. Permanent is used as a reference category;
- A variable to differentiate between wages workers with full and part time employment is included, the former is used as a benchmark category; and
- Dummy variables for occupation, divided into eight categories according to the International Standard Classification of Occupations (ISCO). Dummy variables are included for managers, professionals, technicians and associate professionals, clerical support workers, service and sales workers, skilled agricultural, forestry and fish, craft and related trade workers, plant and machine operators and assemblers, elementary occupation, armed forces occupations and other occupations. Occupation of managers is a base category.

Type of employer

- Dummy variables for industry sector are included, with agriculture as a base category; and
- A variable for differentiating between public, private sector is included.

Characteristics of employed women and men

Table 9 discloses information about characteristics of employed women and men, which represents the regression sample. As it can be noted, the average age of employed women is lower by 1.5 years, which can be explained with historical lower employment rate of women. Educational structure of employed women is better than that of employed men. Namely,

40% of wage-employed women have tertiary education compared to 19% of men. Employed men are more frequently found with primary or secondary education than women, indicating that women with lower educational attainment more frequently stay out of the labour market. We can consider this a type of discrimination against women (Avlijaš et al., 2013), since in order for women to become employed, they need higher educational attainment on average than men do, i.e. they need to invest in their education more if they want to get into wage employment.

With regards to job characteristics, on average, women were employed with the current employer for 8.7 years whilst men for 9.3 years. Women are more likely to have permanent working contract: 52% had such contracts compared to 46% of men. Men work more hours than women (48 and 41 hours per week, respectively). Full time employment contract is a feature of both women and men, with no differences between the two. By occupations, women are mainly concentrated in occupation of professionals (34%) and service and sales workers (19%), whilst men are present in most of occupations-elementary occupations being the most prevalent (24%). Traditional occupations of education and health sector accommodate 37% of the employed women whilst the most prevalent sector for men is construction sector, employing 19% of employed men. Service sector is also an important sector, employing 17% of women and 14% of men. Although private sector is the most prevalent employment sector, compared to men, a larger share of women are in the public sector (44% of women as opposed to 30% of men).

Table 9: Characteristics of employed women and men

| Personal characteristics | Women 15+ | Men 15+ |
|---|------------|------------|
| Age | 37.3 years | 38.8 years |
| Education level (% of women employees) | | |
| Group 1: no education or primary and lower secondary completed | 13% | 19% |
| Group 2: secondary or post-secondary vocational education | 47% | 62% |
| Group 3: Tertiary-graduate degree | 32% | 15% |
| Group 4: Tertiary, post-graduate | 8% | 4% |
| Job characteristics | Women 15+ | Men 15+ |
| Job experience with the current employer: average number of years | 8.7 | 9.3 |
| Employment contract | 52% | 46% |
| Share with permanent contract | | |
| Number of working hours a week: average per week | 41 hours | 48 hours |
| Working time | 91% | 91% |
| Share with full time contract | | |
| Occupation | | |
| Managers | 4% | 5% |
| Professionals | 34% | 14% |
| Technicians and Associate Professionals | 5% | 3% |
| Clerical Support Workers | 9% | 5% |
| Services and Sales Workers | 19% | 14% |
| Skilled Agricultural, Forestry and Fish | 0% | 1% |
| Craft and Related Trades Workers | 5% | 14% |
| Plant and Machine Operators and Assemblers | 0% | 3% |
| Elementary Occupations | 12% | 24% |
| Armed Forces Occupations | 0% | 2% |
| Other occupations | 11% | 16% |
| Employer characteristics | Women 15+ | Men 15+ |
| Principal economic activity | | |
| Agriculture, forestry and fishing | 1% | 2% |

| Employer characteristics | Women 15+ | Men 15+ |
|--|-----------|---------|
| Principal economic activity | | |
| Agriculture, forestry and fishing | 1% | 2% |
| Mining and quarrying | 1% | 1% |
| Manufacturing | 6% | 8% |
| Electricity, gas, steam and air condition | 0% | 4% |
| Water supply; sewerage, waste management | 1% | 1% |
| Construction | 1% | 19% |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 14% | 8% |
| Transportation and storage | 1% | 4% |
| Accommodation and food service activities | 4% | 7% |
| Information and communication | 3% | 2% |
| Financial and insurance activities | 3% | 2% |
| Real estate activities | 0% | 0% |
| Professional, scientific and technical | 1% | 1% |
| Administrative and support service activities | 3% | 2% |
| Public administration and defence; compulsory social security | 4% | 9% |
| Education | 22% | 9% |
| Human health and social work activities | 15% | 2% |
| Arts, entertainment and recreation | 3% | 2% |
| Other service activities | 17% | 14% |
| Activities of households as employers; | 1% | 0% |
| Activities of extraterritorial organisations | 1% | 1% |
| Other | 1% | 1% |
| Type of employer | AI | |
| Share in public sector | 44% | 30% |
| Share in private sector | 51% | 68% |
| Share in NGOs or international organisations | 5% | 2% |

Source: Own calculations, from MCC LFTUS 2017.

Table 10 present empirical findings on gender pay gap, by comparing the unadjusted pay gap with adjusted one, when we control for explanatory variables. The coefficient for women in specification 1, where women is the only explanatory variable, represents the unadjusted gender pay gap. Coefficients in Specification 1 represent the gender pay gap adjusted for variables related to personal characteristics, job and employer characteristics. Whilst according to Specification 1 estimates show that, on average, women are paid 5% more per worked hour, results shown in Specification 2 reveal that women are paid 9.3% less than men-this measures the adjusted gender pay gap.

Table 10, column 3 and 4 outlines regression results for women and men, separately. Findings show that wages increase with education: compared to individuals with post-graduate education, those with graduate only, on average received 19% lower wage, those with secondary are paid 48% less per hour, and those with no education or only primary and lower-secondary completed are paid 67% less per hour, compared to those with post-graduate education. An interesting finding that can be observed from Table 10, is that there is a high education mark-up from education to men. Number of years working for the current employer are found significant only for women, for every additional year in employment with the current employer, wage per hour increases by one percent. Working with permanent contract, increase the wage by 8%, more for women (10%) compared to men (7%). On, average, other things equal, full time employees are paid a lower wage per hour, with difference of 35%, with small gender differences.

Compared to managerial positions, lower wages are observed among employees employed as service workers, plants workers and those engaged in elementary occupation but higher wages are found among professionals, technicians, crafts and occupation of armed forces. By type of employer, compared to the private sector, the wage per hour in the public sector is 23% higher, whilst wages in NGOs or international organisations are higher by 26%, in comparison to the private sector. Public sector adds more to wages of men-27% compared to 17% for women. By industries, compared to agriculture sector (the benchmark category), higher wages are found in the sector of armed forces and lower professional sector, whilst lower wages are found in the health sector, manufacturing and water supply sector. .

Key gender differences across occupations and sectors are shown in Table 10: Compared to women managers, women are less paid in occupations of service and sales workers, but more paid when holding a professional occupation. In comparison to men with managerial occupation, men are paid more when belonging to occupation of professional, technicians, crafts workers and armed forces occupations but less in occupations of service and sales workers and skilled agricultural occupation. Overall, there are no significant differences across sectors: compare to agriculture, for women the sector of trade is more paid whilst the manufacturing is less paid. For men, compared to agriculture sector, employment in the mining, manufacturing, financial sector and professional sectors are more paid, whilst water supply and health are less paid.

Table 10: Adjusted gender pay gap-log hourly wage

| | Un-adjusted Gender Pay Gap Specification 1 | Adjusted Gender Pay Gap Specification 2 | Women | Men |
|---|--|--|-------|-------|
| Women | 0.051 | -0.09 | | |
| Age | | 0.01 | 0.00 | 0.01 |
| Age squared | | 0.00 | 0.00 | 0.00 |
| Group 1 (ISCED 0+1+2) | | -0.67 | -0.58 | -0.70 |
| Group 2 (ISCED 3+4) | | -0.48 | -0.42 | -0.51 |
| Group 3 (ISCED 5+6) | | -0.19 | -0.13 | -0.22 |
| Experience | | 0.00 | 0.01 | 0.00 |
| Experience squared | | 0.00 | 0.00 | 0.00 |
| Permanent employment contract | | 0.08 | 0.10 | 0.07 |
| Fulltime contract | | -0.34 | -0.36 | -0.35 |
| Public sector | | 0.23 | 0.17 | 0.27 |
| NGO or international organisations | | 0.25 | 0.14 | 0.31 |
| Professionals | | 0.14 | 0.13 | 0.14 |
| Technicians and Associate Professionals | | 0.10 | 0.09 | 0.12 |
| Clerical Support Workers | | -0.01 | 0.03 | -0.04 |
| Services and Sales Workers | | -0.15 | -0.16 | -0.15 |
| Skilled Agricultural, Forestry and Fish | | -0.41 | 0.02 | -0.45 |
| Craft and Related Trades Workers | | 0.09 | -0.08 | 0.11 |
| Plant and Machine Operators and Assemblers | | -0.02 | -0.17 | -0.03 |
| Armed Forces Occupations | | 0.18 | 0.29 | 0.17 |
| Mining and quarrying | | 0.04 | 0.00 | 0.18 |
| Manufacturing | | -0.12 | -0.30 | -0.07 |
| Electricity, gas, steam and air condition | | 0.12 | 0.19 | 0.12 |
| Water supply; sewerage, waste management | | -0.26 | 0.31 | -0.27 |
| Construction | | 0.02 | 0.84 | 0.04 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | | -0.11 | 0.04 | -0.03 |
| Transportation and storage | | -0.07 | 0.90 | -0.07 |
| Accommodation and food service activities | | -0.12 | 0.26 | -0.11 |
| Information and communication | | 0.03 | 0.82 | 0.02 |
| Financial and insurance activities | | 0.05 | 0.10 | 0.17 |
| Real estate activities | | -0.29 | 0.42 | -0.26 |

| | | | | |
|--|-------|-------|------|-------|
| Construction | | 0.02 | 0.84 | 0.04 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | | -0.11 | 0.04 | -0.03 |
| Transportation and storage | | -0.07 | 0.90 | -0.07 |
| Accommodation and food service activities | | -0.12 | 0.26 | -0.11 |
| Information and communication | | 0.03 | 0.82 | 0.02 |
| Financial and insurance activities | | 0.05 | 0.10 | 0.17 |
| Real estate activities | | -0.29 | 0.42 | -0.26 |
| Professional, scientific, technical, administration and support service activities | | 0.23 | 0.39 | 0.34 |
| Administrative and support service activities | | -0.06 | 0.76 | -0.09 |
| Public administration and defence; compulsory social security | | -0.08 | 0.11 | -0.05 |
| Education | | -0.04 | 0.58 | -0.08 |
| Human health and social work activities | | -0.14 | 0.13 | -0.16 |
| Arts, entertainment and recreation | | 0.06 | 0.36 | 0.12 |
| Other service activities | | -0.10 | 0.16 | -0.08 |
| Activities of households as employers; | | -0.09 | 0.78 | -0.07 |
| Activities of extraterritorial organisations | | 0.16 | 0.66 | 0.15 |
| Number of observations | 4,566 | 2,890 | 864 | 2,026 |

Statistically significant variables are highlighted.

4.3 Decomposition analysis

Having calculated the adjusted gender gap, the next step is to decompose the gap into explained and unexplained part. For this analysis, the Blinder Oaxaca decomposition (Blinder 1973; Oaxaca 1973) is utilised, a commonly used methodology utilised in study labour market outcomes by groups (sex, race, and so on). This methodology divides the wage differential between two groups into a part that is “explained” by group differences in productivity characteristics such as education or work experience and a residual part that cannot be accounted for by such differences in wage determinants (Jan, 2008). This “unexplained” part is often used as a measure for discrimination, but it also subsumes the

effects of group differences in unobserved predictors (Jann, 2008). The decomposition is based on the separate Mincer earnings equations for men and women and thus the results from this decomposition are equal to the results of the Mincer equation. The explained part of the gender pay gap is the difference in earnings that can be ascribed to different labour market characteristics (education, work experience, etc.) of the average employed man and the average employed woman. In order to study labour-market outcomes by groups (e.g., gender, race, poverty status, etc.), Blinder-Oaxaca (BO) wage decomposition (Blinder, 1973; Oaxaca, 1973) enables decomposition of mean differences in log wages based on linear regression models in a counterfactual manner. The BO procedure divides the wage differential between the two groups (for example men and women) into a part that is “explained” by group differences in productivity characteristics, such as education or work experience, and a residual part (the “unexplained” part) that cannot be accounted for by such differences in wage determinants. This “unexplained” part is often used as a measure for discrimination, but it also includes the effects of group differences in unobserved predictors (Jann, 2008).

The explained gap is the difference between men and women that is attributable to observed differences in the independent variables. It is also labelled as the difference in endowments or labour market characteristics. The unexplained part is the difference attributable to different wage equations of men and women. It is also labelled as the difference in entitlements (returns) or the wage structure effect. This means that the wage difference between men and women is due to different returns to the independent variables (= differing coefficients) plus the wage difference between men and women, which is not captured by the independent variables (= difference in intercepts or the shift parameters) (Reimer and Schröder, 2006).

The unexplained differences, i.e. the ones that remain when one controls for all of the following variables: education, work experience, occupation, could either persist due to: a) personal characteristics which affect a worker's productivity but cannot be observed or adequately measured, such as attitudes towards risk-taking, competition, etc., which have been systematically observed to differ between the two genders; and/or b) due to discriminatory treatment of women in the labour market, which is reflected in the different returns for men and women to labour market characteristics such as education and experience.

Differences in returns represent direct discrimination of employers (pure prejudice or statistical discrimination, see literature review for details), i.e. the fact that employers award men and women differently for the same characteristic (e.g. they pay women less per additional year of education or work experience). Unobservable differences are differences in unobservable characteristics that systematically differ between the genders, which employers observe and reward (e.g. that men may be able to devote more time to work

because they have more free time than women, who are expected to perform more reproductive labour; see literature review for a detailed discussion).

Data shown in Table 11, show that the adjusted gender pay gap on monthly wages is 10.5%. It can be noted that the sign of the coefficient of the “explained part of the gap” is negative, it means that the explained part does not really explain any part of the adjusted gap. On the contrary, it increases it to a higher-level adjusted gap. This according to Leythienne and Ronkowski (2018) is the case in particular for countries where only women with higher education and skills engage in the labour market (the 'self-selection' effect). When the explained gender pay gap is negative, this turns into the unexplained gender pay gap being higher than the unadjusted gender pay gap, which according to Leythienne and Ronkowski (2018) meaning that women employees present average characteristics on the labour market that are more remunerative than those of men.

Therefore, the adjusted gender pay gap amounts to 13.4% when monthly wages are used in analysis. This implies that once we correct for the fact that women who work have better characteristics than men who work, the gender wage gap becomes larger, stating that the adjusted gap in Kosovo is higher than the unadjusted gap, i.e. the differences in labour market characteristics in fact hide the true magnitude of the gender wage gap.

Table 11. Decomposition analysis

| | Log monthly wage Coefficient |
|---------------------|---------------------------------|
| Log men wage | 5.889 |
| Low women wage | 5.784 |
| Difference in wages | 0.1045 |
| Explained part | -0.0297 |
| Unexplained part | 0.1342 |

Source: Author's calculations based on MCC LFTUS 2017

Variables that have statistically significant influence on explained part of gap are the following: secondary and tertiary education; whether contract is permanent or temporary; sector of employer; and some occupations (professionals, agricultural, craft and armed forces) and economic activity of water sector. It is important to note that the analysis has been implemented with gross wages (calculate by author, using the calculator available from the Kosovo Tax Administration) and same results have been obtained.

Next section provides a discussion on potential explanations for the gender pay gap, reflecting on the existing literature, evidence from Kosovo and findings from focus group discussions and interviews, conducted within this research.

4.4 Potential explanations for the gender pay gap

Factors that explain the gender pay gap

The general finding from the two focus group discussions is that there is little information on the prevalence of gender pay gap and mechanisms through which the gap can take place. Findings suggest that the gender pay gap is more likely and easily applied in the private sector. In the public sector, wages are set by position, hence for the same position the same wage applies, regardless the gender of the employee. Interestingly, although mandated to protect workers' rights, the BSPK does not have information on gender pay gap. The vice president of the Trade union of KEK (member of the BSPK), stated that the pay gap is due to nepotism and political affiliation, but it stated that there is no gender pay gap. Likewise, the Kosovo Chamber of Commerce had no information about the prevalence of the gender pay gap in Kosovo.

Job flexibility

These types of jobs are usually accompanied with lower earnings per hour. Bolotnyy and Emanuel (2018) states that today's pay gap is a result of how workplace flexibility interacts with people's personal life preferences and constraints. It indicates that since men and women make different choices about how to spend their time, workplace inflexibility harms women most. Their conclusion was that the major source of the pay discrepancy was men and women's choices about working hours: not just how many hours, but when they were worked. Men tended to work longer hours, took on more last-minute shifts, and arranged schedules to secure 83% more overtime hours per year. Women, meanwhile, took more unpaid time off, accepted fewer last-minute overtime hours, and avoided weekend and holiday shifts. They even worked more dangerous routes (those with more accidents) in exchange for more desirable times. In another study of theirs, they found that women with young children reported they were willing to give up almost 40% of their earnings to avoid irregular schedules. Similarly, Goldin (2014, exploring in depth data from the USA, shows that women disproportionately seek jobs, including full-time jobs, that tend to be compatible with childrearing and other family responsibilities.

In Kosovo, the preference for greater job flexibility is reflected into a higher share of women working on part-time basis. According to MCC LFTUS in 2017, 12.7% of employed women were part time compared to 8.7% of their male counterparts, but the study did not study reasons for having this model of employment, by gender. Such examination has been provided in the LFS 2017 of the KAS, finding that 58.4% of women were working on part-time basis due to their family responsibilities, this reason was mentioned by only 0.7% of men.

This is in line with the job flexibility hypothesis, discussed above. Women remain primary childcare even when they are employed: a recent survey by Riinvest (2018), found that more than 38 percent of employed women stated that they, themselves, shoulder the main responsibility for childcare. Survey findings from Reinvest survey in 2018, suggest that 58 percent of employed women consider that having opportunities to work part-time or have flexible working schedules, would be advantageous to their working situation.

Career interactions for mothers is considered as one of the factors that may lead to lower pay for women. In Kosovo, there is limited access to childcare services, and given social norms, the responsibility for looking after children remains with the mother. In 2019, in Kosovo there were only 43 kindergartens, with 11 out of 38 municipalities with no public preschool institutions. Moreover, childcare institutions are mainly concentrated in urban areas, with the exception of the municipality of Prishtina that has established two such institutions in rural locations. A study of the Kosovo Women Network (2018), identified an additional 91 private childcare facilities. These however, are expensive, with prices ranging between EUR 120 to 300 a month, significantly more expensive compared to a price of EUR 50 by public providers. Riinvest study (2018) found that 52 percent women who are currently working, consider that interventions in child care, both in terms of more access to child care facilities. In addition, half of women who work, believe that more balanced parental leave provisions, which would involve fathers in childcare from the beginning, is beneficial.

Ability, personality and social norms

Experiments have shown that women [avoid more salary negotiations](#), and they often [show particular predisposition to accept and receive requests for tasks with low promotion potential](#). However, these observed differences are far from being biologically fixed – 'gendering' begins early in life and the evidence shows that preferences and skills are highly malleable. You can influence tastes, and you can certainly teach people to tolerate risk, to do maths, or to negotiate salaries. Blau and Kahn (2017) show that these empirically observed differences can typically only account for a modest portion of the gender pay gap. In contrast, the evidence does suggest that social norms and culture, which in turn affect preferences, behaviour and incentives to foster specific skills, are key factors in understanding gender differences in labour force participation and wages. The reluctance of women to bargain for their salaries is also depicted from focus group discussions, which reluctance is again related to the social norms and expectations about women.

Negotiations

Gender differences in salary negotiations may also be an important determinant of existing gender differences in labour market outcomes. To test how workplaces with negotiable salaries affect applicant sorting and the likelihood of starting negotiations, Leibbrandt and

List (2014) designed a randomized control trial of nearly 2,500 job seekers, observed both the extent of salary negotiations and the nature of sorting. Authors found that when there is no explicit statement that wages are negotiable, men are more likely to negotiate for a higher wage, whereas women are more likely to signal their willingness to work for a lower wage. However, when the possibility that wages are negotiable are explicitly mentioned, these differences disappear completely. In terms of sorting, it is found that men, in contrast to women, prefer job environments where the “rules of wage determination” are ambiguous. This leads to the gender gap being much more pronounced in jobs that leave negotiation of wage ambiguous.

The hypothesis of women being less likely to negotiate their wage is being confirmed in this study as well. Participants employed in the private sector stated that, gender pay gap is more common and easier implemented. Participants stated that there is no transparency of wages. *'Men have better negotiation skills, hence they are paid more than women'* one participant from the private sector stated. Two participants stated that there is no gender pay gap, the pay is determined based on the professional background of an employee. They further stated that in some cases, women prefer less responsibility and are less flexible, hence in return they get paid less than their male counterparts. An interesting observation was raised by a representative of the Kosovo Chamber of Commerce, emphasising that given a significantly lower probability to finding a job, women have lower bargaining power, which forces them to accept working conditions including wages that are lower than the market wage. However, this does not apply to all employers: a representative of the Kosovo Manufacturing Club, which represents 21 biggest manufacturing enterprises in Kosovo, members of the Club remunerate do not apply different wages, due to their gender. It further states that, in general, women are more committed and hardworking, and this is what employers appraise, hence no reason to discriminate against them. The Club is careful when accepting members, as they need to obey to some ethical criteria, one of criteria being of equal treatment for all employees. Similarly, a representative of one of the banks in Kosovo, underlined that for each position, wages are the same i.e. equal pay for equal job, regardless of gender. Most of the staff in the banking sector are women, which are also well represented in the decision making positions, she stated. As per the interviewee, it is unlikely that there is any kind of discrimination in remuneration between women and men in the banking sector.

Discrimination and bias

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Independently of the exact origin of the unequal distribution of gender roles, it is clear that our recent and even current practices show that these roles persist with the help of institutional enforcement. However, even after explicit barriers are lifted and legal

⁷ <http://masht-smia.net/Publikimet/37ALB.pdf>

protections put in their place, discrimination and bias can persist in less overt ways. Goldin and Rouse (2000), for example, look at the adoption of “blind” auditions by orchestras, and show that by using a screen to conceal the identity of a candidate, impartial hiring practices increased the number of women in orchestras by 25% between 1970 and 1996.

In 2018, Democracy for Development (D4D) implemented a survey in Kosovo with of 1,070 respondents (53.1% women, and 46.9% men) and found that 59.8% of respondents consider that women are discriminated in the hiring process. Among those that believe there is gender discrimination in the employment process of women believe the main sources are the patriarchal society (43%), maternity leave (26%), and the perceived belief that women have less connections than men (21%). Respondents stated that equal treatment (32.4%), equal pay for equal opportunities (25.4%), part-time job/flexible work hours (16.6%), and access to childcare centres (14.2%) would contribute to improving access of women to the labour market.

As stated above, civil servants that participated in the focus group discussions stated that pay discrimination in the public sector is less presence. However, it was emphasised that given that men are more likely to participate in official visits and trainings outside Kosovo, their wage is topped up with per diem, and hence their income is higher than of women. Specific cases were presented when men are chosen for such travels, although they had the same position as their female colleagues. Given that men participate more often in trainings, their CV becomes richer and hence their chances to get promoted are better. Some of the public sector employees strongly emphasised that in Kosovo there is no discrimination based on gender, but there exists discrimination based on political affiliations and nepotism. Related to this, it was noted that given that men are more likely to be politically affiliated and have stronger networks, their chances of being employed and being promoted are higher. Advancing the job title was one mentioned as another mechanism, through which women may be paid less than men for the same job-*'in order to pay more, in front of the job title they add title of specialist, which actually does the same tasks as the one without such prefix'* one participant stated. In Kosovo, in the public sector, women are less likely to hold decision making positions, which are better paid, due to nepotism and political affiliations favouring men. Moreover, the decision making positions are less secure/sustainable due to political influences, demotivating women to apply for such positions. This applies also for the local level, when decision making positions are politically set, ending with the mandate of the Mayor.

The motherhood penalty

Closely related to job flexibility and occupational choice, is the issue of work interruptions due to motherhood. Lundborg, Plug and Rasmussen (2017) provide evidence from Denmark. Evidence for the motherhood penalty is also evidenced by a recent study from Denmark that tracked men and women over the period 1980-2013. The study found that that after the first child, women's earnings sharply dropped and never fully recovered. But this was not the case for men with children, nor the case for women without children. These findings refer to Denmark a country that [ranks high on gender equality measures](#) and where [there are legal guarantees requiring that a woman can return to the same job after taking time to give birth](#)-indicating that even in the presence of generous paid leave and subsidized childcare, as long as mothers disproportionately take additional work at home after having children, inequities in pay are likely to remain (Ortiz-Ospina, 2018).

Researchers in Denmark (Klenev et al., 2017) found the motherhood penalty was higher for women raised in traditional families in which the mother worked less than the father (the paternal family's context had no effect). That, the authors argue, suggests women's preferences for family and career are often formed early in life, and transmitted from generation to generation. Some evidence for Kosovo is gathered from the MCC LFTUS, which found that 69.1% of surveyed men and 77.8% of men agreed that women should take good care of her own children and not worry about other people's affairs; 56.4% of men and 54.2% of women agreed that it is more important for men in the household to be employed than women (Siddiqui et al., 2017). Interestingly, the survey findings revealed that in all statements related to gender norms, more women agreed with a given negative statement than their male counterparts, which again provides evidence on the standards and norms that they were raised.

For Kosovo, there is evidence that women are discriminated against during the recruitment and promotion process. A study conducted by the Kosovo Women Network in 2018 found that among women that were invited for a job interview, 26 % stated that they thought they were not selected just because they were women, as opposed to 16 % of men. A study from 2016 (KWN, 2016) found that 45 % of surveyed employers stated that during the selection process they also consider the applicants' family plans. Discrimination in hiring are considered to be fostered by the existing Labour Law, with unequal distribution of family responsibilities between mothers and fathers. The Law, allows women to have access to 9 paid maternity leave and 3 unpaid months, while fathers have access to 2 days of holiday and the possibility for 2 weeks of unpaid leave. The first six months of maternity leave, employers pay 70 % of the wage, whilst government pays 50 % of the national average wage for three months. This financial burden on employers is considered to induce employers to prefer male employees.

⁸<https://ourworldindata.org/what-drives-the-gender-pay-gap>

5. Conclusions

European Parliament note in 2020, states that equal pay is not just a matter of justice, but it can also contribute to economic growth, whereby reducing the gender pay gap by one percentage point would increase the gross domestic product by 0.1%. Given its importance, this research provides the first evidence on the prevalence of the gender pay gap in Kosovo. It is important to underline that due to historical low level of employment, in 2018, only 14.6% of individuals receiving contributory pension were women (6,642 women, compared to 38,749 of men). Given the small share of women being employed, the pension gap is expected to sustain for many years from now, leaving women economically dependent and as a consequence with limited decision making power in the household.

For this analysis, data are extracted from the 2017 Labour Force and Time Use Survey, commissioned by Millennium Challenge Corporation. The survey was of a large scale, interviewing 8,554 households, collecting employment information on 32,742 individuals. Similar to the Labour Force Survey conducted by the Kosovo Agency of Statistics, the MCC survey is aligned with the Eurostat methodology. The choice of the MCC rather than Labour Force Survey data, is due to the availability of wage variable, since the wage variable in the LFS conducted by KAS is organised in intervals, with which form the gender pay gap cannot be assessed. In line with previous studies and a recent report published by European Commission (Leythienne and Ronkowski, 2018), this report assessed unadjusted and adjusted gender pay gap. Analysis focuses only on waged employees, who have reported their net monthly wages. To estimate the gender pay gap and examine the explained and unexplained gap, the Blinder Oaxaca decomposition is utilised. Finally, the study has also employed qualitative instruments, namely interviews and focus group discussions, to shed light on presence and explanations for the gender pay gap in Kosovo.

Findings from this assessment, reveal that the average net wage of women is 312 Eur whilst men earn 346 Eur per month, a difference of 34 Eur. Calculated by hours of work, women earn 0.10 Eur more per hour, namely women earn 2.2 Eur per hour and men earn 2.1 Eur per hour. This is due to fewer number of hours worked by women. Although gender differences persist across all levels of education, the unadjusted gender pay gap is negatively correlated with education level. Across all education groups, men earn higher wages than women: the biggest absolute difference is observed among women and men with post-graduate tertiary education (113 Eur), whilst the highest difference in relative terms (the unadjusted gender wage gap) is for those with no education or primary education (24%). Data also reveal that the women wage level is negatively correlated with the wage gap between the genders, i.e. the higher the education level, the lower is the gap. By sector of employment, gender pay gap

⁹ <https://www.europarl.europa.eu/news/en/headlines/society/20200109STO69925/understanding-the-gender-pay-gap-definition-and-causes>

is lowest in the public sector (8%). Gender pay gap persists across all occupations, men earn higher net monthly average wages.

Mincer education is used to calculate the unadjusted gender pay gap. Two regressions are run, one with the log monthly wage as dependent variable and the other with dependent variable measures in log wages per hour. The dummy variable depicting gender of employed individuals is used as the only explanatory variable. Results show that on average, women earn 12% lower net monthly wages, compared to male counterparts but they earn 5% higher wages per hour-due to fewer working hours per day.

To calculate the adjusted gender gap using net monthly wages as a measure of pay, the Mincer regression function is expanded with variables accounting for personal, work experience and employer characteristics. Findings reveal that on average, women are paid 10.5% less than men per month, which is a measure of the adjusted gender pay gap. Application of the Blinder-Oaxaca decomposition enables to divide the gap into explained part-which refers to the part of the gender pay gap that can be explained by differences in labour market attributes or characteristics (human capital endowments, job characteristics and workplace characteristics), whereas the unexplained part indicates how much of the gender pay gap cannot be explained by differences in those attributes or characteristics. The unexplained gap can be a result of omitted variable bias but it may as well indicate that there is a discrimination between women and men in their remuneration. Decomposition results reveal that the gap is unexplained, i.e. it is not due to different characteristics of women and men. Moreover, when accounting for employed women characteristics, the gap is even higher calculated at 13.4%, which implies that if employed women had characteristics of employed men, the gap would have been even higher.

The unexplained gender pay gap may indicate a possible discrimination through 'unequal pay for equal work' but it may as well derive due to omitted variable bias, i.e. some important variables are missing in the model. For example, the total work experience, is not collected in the MCC LFTUS and neither Labour Force Surveys. Therefore, Leythienne and Ronkowski (2018) highlight that 'unequal pay for male and female workers for equal work' is just one of the possible causes of the unadjusted gender pay gap. Including such additional variables in the regression analysis may substantially change the results.

6. Policy guidelines in addressing the gender pay gap

Closing the gender pay gap contributes to the overarching goal of achieving gender equality in the EU and to reaching the SDGs of the UN 2030 Agenda. Tackling the gender pay gap is also in line with the principles of the European Pillar of Social Rights, namely principle 2, on ensuring gender equality in all areas and principle 3, on equality of opportunities

Setting a strong legal basis for ensuring equal pay for equal job

Although the current Law on Labour does oblige employers to provide equal pay for equal work by stating that '*the employer shall pay men and women an equal remuneration for work of equal value covering base salary and any other allowances*' it does not any other description or instructions, to facilitate Labour Inspectorate and other relevant institutions to oversight its implementation. The Draft Labour Law prepared during 2018 and 2019, has advanced in this respect, aligned to EU Directive on Equal Pay. Article 81 of the Draft Law is specifically devoted to Equal pay. The Draft law stipulates that employers in all sectors are obliged to ensure that payment conditions are without any form of sex discrimination and that men and woman obtain equal payment for equal work and for work of equal value. The term „payment“ includes the ordinary basic or minimum wage or salary and any other consideration, whether in cash or in kind, which the worker receives directly or indirectly, in respect of his/ her employment from his/her employer. It further explains that equal work or work of equal value is considered to be work of the same or comparable complexity, responsibility and strenuousness, which is carried out in the same or comparable working conditions and which is of equal or comparable work efficiency and brings equal or comparable work results. The Draft Law also explains that complexity, responsibility and strenuousness of work shall be evaluated with regard to vocational training (educational prerequisites) and practical experience, skills required for the performance of such work, and with regard to complexity of both the subject of work and working activity, demands on organizational and managerial skills, the degree of liability for damage, occupational health and safety, and further with regard to physical, sensory and mental strain and negative effects of such work. As states in the Draft Law, a) the working conditions shall be assessed with regard to tiresomeness of patterns of working time, arising from the distribution of working hours, e.g. into shifts, non-working days, night work and/or overtime, and with regard to harmfulness or arduousness caused by other negative effects of the working environment and with regard to risky aspects of the working environment' b) performance of work shall be assessed with regard to intensity and quality of work done, work abilities and qualifications/skills, and results of work shall be assessed with regard to their quantity and quality. Moreover, the Draft Law indicates that if the employer implements a system of job evaluation (job classification system), the evaluation must be based on the same criteria for men and women without any sexual discrimination. In the evaluation of the work of women and men, employers may use other objectively measurable criteria in addition to those

stated in this Article. According to the representative of the MLSW, the Article on Equal Pay, presents an important advancement, and a strong basis for Labour Inspectorate but also courts when cases claiming unequal pay for equal job are filled. When the Draft Law gets approved, capacities of labour inspectors and also judges need to be enhanced, in order to properly understand and apply the legal provisions related to equal pay.

Better understanding of the gender pay gap- a need for better data

There is a need for better data. Currently, Kosovo collects data through Labour Force Survey, though the data are organised in intervals, which does not allow proper analysis. ILO 2018/19 Global Wage Report What with focus on explaining what lies behind gender pay gaps, proposes the need to subsequently introduce modules in the current surveys that are carefully thought out to cover matters that are identified as potential determinants of the gender pay gap. Given that the gender pay gap is a slowly changing statistic, the module could be administered sporadically, not necessarily every year (ILO, 2018).

In many countries most of the gender pay gap is unexplained (ILO, 2018) while in case of Kosovo the gender pay gap remains unexplained by differences in education and in other labour market attributes such as age, experience, occupation or industry. Therefore, it is important to “unpack” reasons behind the unexplained part of the gender pay gap. The 2018 ILO report on wages, emphasise that in the literature, part of the unexplained part is attributed to discrimination against women in relation to men-i.e. women are paid less than men for the same work or for work of equal value (pg.95). The wage discrimination includes cases in which two jobs that are the same are given different titles, depending on the gender of the person who performs them: for example for men the titles of “chef” can be used for men versus “cook” for women; or “information manager” versus “librarian”; or “management assistant” versus “secretary” (pg.95). Injustice also occurs when women are paid less than men for work of equal value, namely work that may differ in respect of the tasks and responsibilities involved, the knowledge and skills required, the effort it entails and/or the conditions under which it is carried out, and is yet of equal worth. Indirect wage discrimination is more difficult to be detected: they will be reflected into different wage structures and the relative weight in overall remuneration of seniority or of bonuses that reward long hours of continued presence in the workplace. Given family responsibilities, women are more likely to be penalized (ILO, 2018, pg.95). The report also highlights that most countries have enacted legislation to address gender discrimination in remuneration, only 40 per cent of all countries have embodied the full principle of “equal pay for work of equal value”, while many focus instead on the narrower principle of “equal pay for equal work.

Recent literature shows that in various countries the gender pay gap is due in part to the “motherhood pay gap”, defined as the pay gap between mothers and non-mothers. In this study, due to inability to attach children to their mothers, it was not possible to test the motherhood pay gap hypothesis. The ILO (2018) report has found that mothers appear to

suffer a wage penalty from 1-30 percent, whereas fathers seem to be rewarded with a wage premium. Lower wages for mothers may be related to labour market interruptions or reductions in working time; employment in more family-friendly jobs, which are lower-paying; or stereotypical hiring and promotion decisions at enterprise level which penalize the careers of mothers. It has been argued, for example, that in some countries women prefer public-sector jobs, even when they pay lower salaries, because they offer shorter and more flexible working hours. The evidence for Kosovo, has found that education and health sector, which is mainly public, is the biggest employer of women. Further, it has been argued that women who are mothers prefer employment in family-friendly jobs, or part-time jobs, which pay lower wages (ILO, 2018).

Good practices in detecting and addressing the gender pay gap

➤ Public contracts for employers respecting wage equality

In Switzerland, according to the Public Procurement Act, public authorities must not contract with firms that do not respect wage equality, and may check compliance. In order to check for this compliance, since 2006, the Swiss Federal Office for Gender Equality has offered a self-assessment tools for employers. The tools enable employers to assess the average impact of a gender factor on wages while also taking into account objective, non-discriminatory factors.

To encourage employers to comply with the law, the Swiss Federal Office for Gender Equality has developed and made available for free an online self-assessment tool and more recently, it has been working towards developing a self-assessment tool aimed at smaller enterprises with fewer than 50 employees.

➤ Increasing transparency Disclosing earnings, by gender

Countries like Germany and United Kingdom, have taken steps to promote pay transparency to expose differentials between men and women. Since early 2018, Germany requires enterprises with 200 or more wage employees to disclose the earnings of their employees – of whatever gender – on demand by any of the employees working in those companies. Similar provision has been made in the United Kingdom, where, since April 2017, all companies and public sector organizations employing 250 or more people are required to publish data on the difference between mean and median wages and bonuses, as well as the gender pay gap at different pay scales. Furthermore, businesses with more than 500 employees must, with effect from 2018, provide regular financial reports on the specific efforts they are making to remove inequality between genders.

Equal pay audits

Equal pay audits, enable to detecting possible flaws in a company's pay practices. In 2013, the UK Government adopted new regulations that require employment tribunals to impose on employers who have lost an equal pay claim to carry out an equal pay audit. In recent years, a number of countries have embraced proactive pay equity laws, which require employers to regularly examine their compensation practices, assess the gender pay gap and take action to eliminate the portion of the gap due to discrimination in pay (ILO, 2018). Similar practices are applicable in Iceland or the provinces of Ontario and Quebec, the elimination of such gaps is compulsory, while in other cases, for example Switzerland, employers with 50 employees or more are not mandated to carry out a pay audit and remove the discriminatory part of the pay difference, but are obliged to do so if they wish to participate in public tenders.

Gender-neutral job evaluation

This type of evaluation can help to clarify the value of different jobs and the skills, experience and responsibility demanded of the worker, as well as providing information on job characteristics and pay scales. In 2013, the French National Ombudsman (Le Défenseur des droits) published an extensive guide to gender-neutral job evaluation (Le Défenseur Des Droits, 2013) for social partners, work inspectors, academics and NGOs working for gender equality. The guide explains job evaluation systems and their overall function, presents examples of both discriminatory and non-discriminatory job evaluation and contains a step-by-step guide to building non-discriminatory gender-neutral job evaluation systems (EIGE, 2019).

➤ Certification for gender-equal pay policies

In Iceland, since January 2018, companies and government agencies with more than 25 employees are required to obtain government certification from an independent entity that certifies that their pay policies are gender-equal. Those failing to demonstrate pay equality face fines. Countries that have enacted proactive pay equity legislation have also put in place mechanisms that envisage the regular monitoring and impact assessment of the adopted measures with a view to reorienting or adjusting action on a continuous basis to achieve greater policy effectiveness.

➤ **Reducing the motherhood pay gap**

More equitable sharing of family duties between men and women, as well as adequate childcare and elder-care services, would in many instances lead to women making different occupational choices (ILO, 2018). In other words, some of women's choices or expectations may be the result of enduring gender-based stereotypes and imbalances in unpaid care work and family responsibilities, and may also be affected by the lack of adequate public provision in areas such as childcare services or adequate company policies on flexible working-time arrangements. The lack of programmes supporting women's return to work after childbirth also contributes to the wage penalty that women face when resuming work after a prolonged period of absence from the labour market. While all workers face such a wage penalty, it seems to be greater for women. Increasing the right of men to parental leave would also help to rebalance the perception held by employers – both women and men – of women wage employees as mothers. These policies require both political commitment and social transformation. While public policies to enhance education, labour and social protection and improve social infrastructure are necessary to close the gender pay gap, their effectiveness depends at least in part on shifting social norms and gender stereotypes.

➤ **Gender-sensitive design and implementation of a broad set of policies**

These would include family-related leave, flexible working arrangements and accessibility and affordability of formal care services, can facilitate a better balance between care and work responsibilities for carers and simultaneously reduce the gender pay gap (EIGE, 2019).

➤ **De-biasing organisations**

There is a vast body of evidence that unconscious bias plays a pivotal role in gender inequality in general, and that it contributes to low female labour participation rates and the gender pay gap in particular (Bohnet, 2016). There are also well-entrenched gender stereotypes concerning what women and men are “good at” and what their respective roles should consequently be in the family, at work and in society. Second, comprehensive, cross-cutting approaches to gender equality are necessary to combat the gender pay gap. Indeed, not only are gender pay gaps rooted in well-entrenched stereotypes, they also represent a summary indicator that captures many disadvantages faced by girls and women both within and

outside the labour market. ILO report in 2017 'Breaking barriers: unconscious gender bias in the workplace' emphasis that unconscious bias holds us back, and de-biasing people's minds has proven to be difficult and expensive, hence the report highlights that by de-biasing organisations instead of individuals, smart changes can be undertaken that have big impacts. In a 2016 Iris Bohnet book presents tools we need to move the needle in classrooms and boardrooms, in hiring and promotion, benefiting businesses, governments, and the lives of millions.

➤ **Awareness-raising campaigns**

To inform women and men of the rights for equal pay and dissemination of good practices can further support efforts to tackle the gender pay gap. At EU level, the Equal Pay Day, held in late October or early November each year and representing the day on which women stop earning while men keep earning until the end of the year (EIGE, 2019).

- Other important recommendations include: a) addressing discrimination, for example by introducing a mandatory paternal leave, whereby mother and father share their parenting responsibility, so employers would consider men and women equally; b) increasing access to early education and childcare can increase the labour force participation of women and reduce gender pay gaps, through alleviation of the unpaid care work undertaken by mothers; and c) redressing social norms as they limit the set of choices available both to men and women. Although not an easy endeavour, social norms, can be changed.

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