

Mind the Gender Pay Gap

An Action Plan for
Companies
to Close the Gap





Mind the Gender Pay Gap

An Action Plan for Companies to Close the Gap

For more than ten years, WeAreOpen's mission has been to lead the business world toward a deeper understanding of **the essential role that equity plays in shaping open and inclusive company cultures.** Through our campaigns, events, activities, and services, we emphasize that **businesses are pivotal in driving change**, advocating for policies and practices that ensure fairness and equal opportunities for all employees.

We believe that **closing the gender pay gap is not only a compliance issue, it is a moral imperative** from a historical perspective. We recommend this document to business leaders who want to make equity a foundational aspect of their operations, thereby contributing to a more equitable and just society.

The WeAreOpen Team



What is the Gender Pay Gap?

Gender inequality has many facets: political, social, emotional, and historical, but one crucial aspect is economic inequality of the genders. Although there has been some progress in this area, the World Economic Forum reported in 2023 that closing global gender gaps in economic participation and opportunity will take 169 years¹. As we believe that more efficient solutions could help create equal opportunities for everyone faster, in this document, **we will explore what the gender pay gap regarding income patterns means and what companies can do to contribute to closing the gender pay gap step by step.**

The gender pay gap is a simplified measure of **how society values the contribution of men and women** in the active or passive workforce. It is usually expressed as a percentage of male earnings and encompasses the difference between the earnings of men and women.

The gender pay gap comes in unadjusted and adjusted forms. The former means the **difference between the average gross hourly earnings of men and women** regardless of their occupation, their age, how much experience they have, and how many hours they work.

¹<https://www.imf.org/-/media/Files/Publications/WP/2023/English/wpiea2023189-print-pdf.ashx>



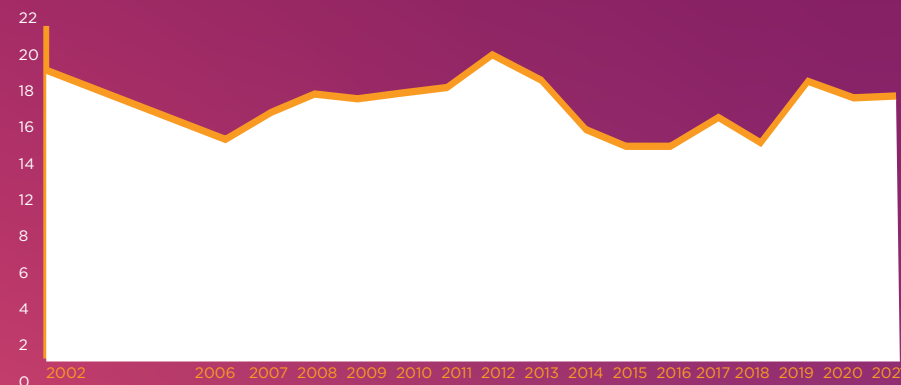
x100



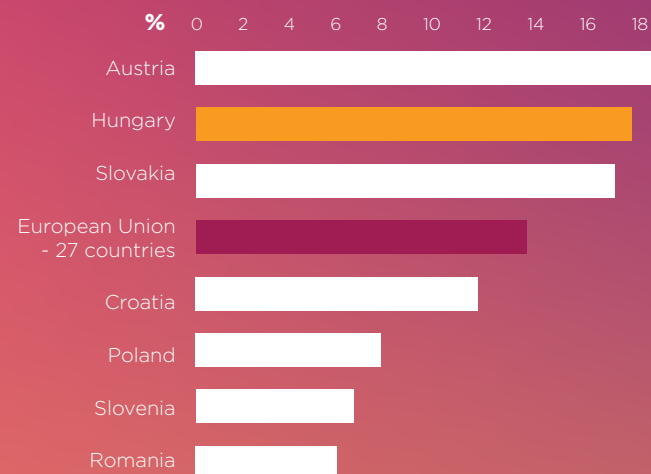
The raw percentage of the gender pay gap generally shows a lack of equal opportunity for men and women in the labor market and the imbalances in female labor representation.

Its adjusted forms can explain the difference in pay between women and men, taking into account other factors that determine compensation, such as job level, seniority, education, age, experience, or performance.

In Hungary, the unadjusted gender pay gap has not been reduced significantly during the last 20 years, and it displays oscillating tendencies: in 2002, it was **19.1%**, while 20 years later, in 2022, it was **17.5%**. It was the lowest in 2015 and 2016 with **14%**.



The gender pay gap in Hungary between 2002 and 2021 in yearly comparison. Source: Eurostat
(No available data between 2002 and 2006)



Unadjusted gender pay gap in CEE, 2021. Source: Eurostat³

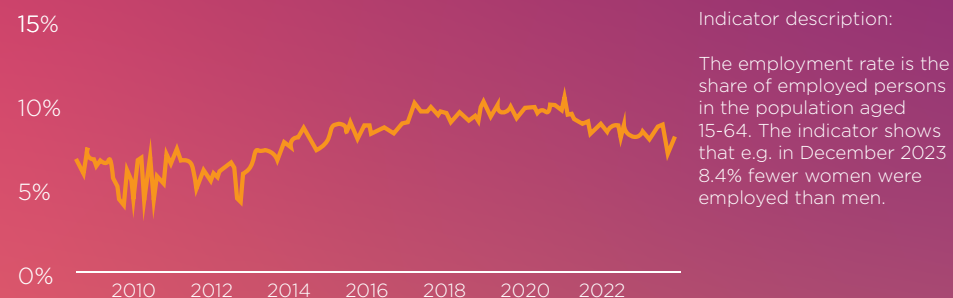
²Eurostat data available here: https://ec.europa.eu/eurostat/databrowser/view/sdg_05_20/default/line?lang=en

³Unadjusted gender pay gap in the CEE region compared to the EU average
Source: https://ec.europa.eu/eurostat/databrowser/view/sdg_05_20/default/bar?lang=en

What causes the Gender Pay Gap?

The gender pay gap is caused by hidden and visible, sometimes interconnected, explanatory factors. One such hidden factor is the different representation of genders in the labor market. Women are present in fewer numbers, with less powerful labor representation, which tends to lower overall average wages. In Hungary, like most countries, **imbalances in female labor representation** prevail. In 2020, the employment rate gap for women when compared to men stood at 14.7 percentage points – well above the OECD average (10.9%) and the highest recorded since the mid-1990s.⁴

Female employment rate gap compared to men



Source: KSH (Hungarian Central Statistical Office)

In the case of some other factors, researchers found a way to quantify their impact but for certain soft influencing factors, such as bargaining power or self-esteem, measurement is very difficult. It was shown that *occupational selection, company selection, as well as pay gaps within jobs* are quantifiable and have a highly measurable impact on the gender pay gap.

⁴<https://www.oecd-ilibrary.org/docserver/55c45a47-en.pdf?expires=1708598401&id=id&accname=guest&checksum=0E6D2B4ABAE9A1F48495BBD8F064BFD7>



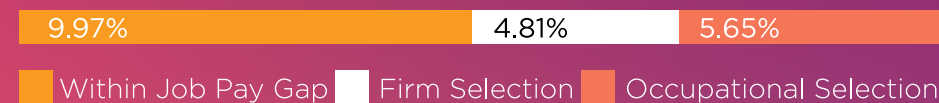
In this respect, **occupational selection** means that genders are drawn to specific occupations from a very early age through social structures, parental guidance, and stereotypes. Genders are drawn to specific occupations. Thus, highly feminized and masculinized occupations emerge, such as nursing and teaching or IT and engineering. Men tend to be overrepresented in relatively higher-paid jobs, while women are more prevalent in lower-paid occupations.⁵

Company selection corresponds to the choice employees make between workplaces based on compensation in payment, in-kind benefits, benefit packages, and other non-compensational considerations. Women are still overrepresented as family caregivers to kids and relatives, thus, their primary motive in choosing a workplace might not be the compensation or the bonus package, but other benefits.

The pay gap within jobs means the lack of equal pay for equal work. This refers to the scenario wherein there exists a disparity in compensation between a woman and a man, although they have the same profession, are employed by the same company, and are doing the same job or their jobs have the same objective value. Some researchers call this phenomenon the **pay gap within jobs, while others the equal pay gap, or pay discrimination**.

Components of the Corrected Unadjusted Gender Pay Gap

The extent of Corrected Gender Pay in Hungary, in 2017: 20.43 percent



Source: Boza István, Researcher at KRTK KTI⁶

In Hungary, gendered *occupational selection* could explain roughly 5% of the corrected unadjusted gender pay gap. This reflects the tendency for **women to be disproportionately represented in relatively lower-paying professions**, such as social care, nursing, or education, whereas men are more likely to opt for higher-paying fields such as STEM or IT careers.

⁵<https://www.epi.org/publication/womens-work-and-the-gender-pay-gap-how-discrimination-societal-norms-and-other-forces-affect-womens-occupational-choices-and-their-pay/>

⁶<https://www.nature.com/articles/s41562-022-01470-z>

Company selection explains roughly another 5% of the gender pay gap⁷, meaning that women tend to choose companies not necessarily offering the highest paying jobs or wage bonuses but offering benefits of another nature: more flexible working hours, family benefits, or childcare facilities. Here, the following factors play an important part in influencing the choice of specific workplaces that offer lower-paying jobs:

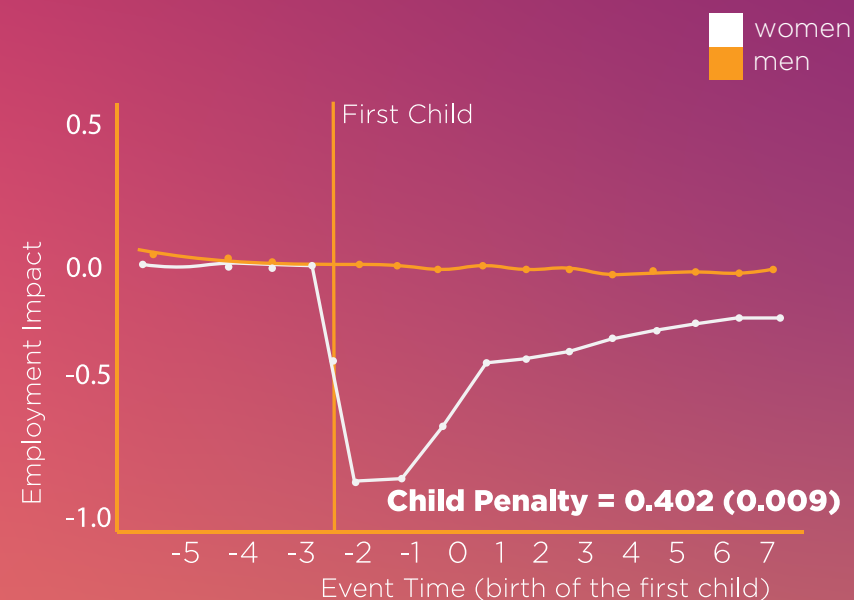
Inflexible labor market: women, who often bear more responsibility for caregiving, both for children and older relatives, tend to require flexible working hours and options for working from home. These types of arrangements typically come with lower pay.

Part-time penalty: women are more frequently employed in part-time and temporary positions, which typically offer lower hourly wages compared to full-time roles, a trend less commonly observed among men.

Motherhood penalty: mothers experience a significant drop in earnings compared to fathers in the decade following the birth of a first child (and a second and a third or more eventually). According to Hungarian data, the chance of mothers being employed after 3 years of the birth of their first child drops by around 40% compared to women without any children.



Motherhood Penalty in Hungary. Source: Kleven et al. The Child Penalty Atlas 2023.⁸



⁷<https://www.nature.com/articles/s41562-022-01470-z>

⁸<https://www.nber.org/papers/w31649>

The remaining 7-9% of the corrected unadjusted gender pay gap is explained by **the pay gap within jobs** in Hungary, namely that women do not get equal pay even if they work in the same profession in the same company.

How much are women underpaid for the same job in Hungary compared to men?



Gender pay gap (%) within various jobs based on Eurostat data from 2018⁹

This might come down to the following causes:

Bargaining power: Women tend to ask for less remuneration and tend to ask for a pay raise less regularly.

Differences in performance and work experience:

This, again, comes down to the motherhood penalty, as women stay home for months or years, the gap between the men's and women's work experience gets bigger with every child. Moreover, they miss promotions, networking and training opportunities, etc.

Confidence mistaken for competence: Companies may tend to favor characteristics traditionally associated with masculinity, such as confidence, independence, self-orientation, and competitiveness. This phenomenon is often referred to as *the masculine default*.¹⁰
Other **unexplained factors**: such as institutional settings or discrimination, which cannot be accounted for by any other measurable cause.

All the above cause and maintain the following phenomena, which re-create and refuel the gender pay gap:

Glass ceiling: Women are widely underrepresented in supervisory positions. In the EU, men hold 65% of all management positions.¹¹

Sticky floor: A discriminatory employment pattern that keeps workers, mainly women, in the lower ranks of the job scale, with low mobility and invisible barriers to career advancement.

What can com- panies do?

In the spirit of gender equality and its Gender Equality Strategy 2020-2025,¹² the EU designed the Directive for Pay Transparency to make sure that workers of all genders receive equal pay for work of equal value. It protects employees from direct and indirect discrimination caused by gender bias. The Directive covers two main areas: pay transparency and pay equity, and both include specific enforcement mechanisms. The EU adopted the Directive in May 2023, and Member States will have to transpose it by June 2026.

The gender pay gap reporting requirements will initially apply to employers with at least 150 employees. After four years, the requirements will also extend to companies with 100 employees. Those with 250 or more employees will have to report gender pay gaps annually, while others caught by the Pay Transparency Directive will have to report every 3 years. For the implementation of all the other pay transparency rights, employers of all types and sizes are responsible.

That's a lot to digest. So in the following, we collected what companies can do.¹³

¹²<https://ec.europa.eu/newsroom/just/items/682425/en>

¹³<https://eur-lex.europa.eu/EN/legal-content/summary/equal-pay-for-equal-work-or-work-of-equal-value-between-men-and-women-rules-on-pay-transparency.html>

I. Start implementing the EU Directive for Pay Transparency in time.

1 Ensure pay transparency for current employees.

Conduct and publish a pay audit internally and externally.

Several multinational companies started to analyze their compensation structure regularly (every year or semester), prepare a detailed report about their results, and share it with stakeholders like employees, workers' representatives internally, and/or partners, a government body, and/or the public externally.

Although the details differ widely, the basic structure of a pay gap report comes down to the following:

- Deciding **which employees you want to include:** full-time, part-time, and/or contract-based employees;
- Deciding **what tools to use for measurement:** average or median wages, bonuses, in-kind benefits, stock options, overtime pay.
- **Defining the compensation quartiles** in your company. The payment ranges from the lowest to the highest paid employees based on the job hierarchy within your com-

pany, which can mean one payment range for one compensation quartile with a description of the jobs that it includes. Looking at the proportion of men and women in each quartile gives an indication of the gender representation at different levels of the organization.

- **Comparing the average or median wages of women and men** in each quartile, so you will have a transparent and gendered pay audit in front of you.
- **Defining goals to close the gender pay gap** in the short and the long run, and in later years a look at the progress you made, comparing the compensation quartiles and pay gaps from various years.

Best practices available here: [IKEA UK](#), [KPMG Gender Pay Gap Reporting](#), [ALDI Gender Gap](#), [OECD Company Pay Gap Reporting Requirements by Countries](#).

Have a transparent compensation policy.

In the digital age, salary information is becoming increasingly available online ([PayScale](#), [Levels](#), [Glassdoor](#), [The Pragmatic Engineer](#)), however, most companies are not transparent in their compensation policy. The highest ranked for being transparent in pay practices in 2018 by PayScale was ALDI, McKinsey&Company, and FedEx.¹⁴ Pay transparency would be beneficial for a much wider range of companies, as employees wouldn't have to guess what factors drive their pay: no need for salary negotiations, better morale, and motivation to reach higher position salaries.

¹³<https://www.globenewswire.com/news-release/2018/7/31/1544319/0/en/Pay-Scale-Recognizes-Employers-Driving-Employee-Trust-Via-Transparent-Pay-Practices.html>

The following steps could help achieve greater compensation transparency within your company step by step:

- a Review your compensation practices and policies comprehensively.** Go through existing compensation structures and outlined policies thoroughly, conduct surveys to gain clear insights into employees' understanding and expectations regarding remuneration practices, and adjust your compensation structures and policies to employees' needs. Set clear job evaluation criteria to determine the value of a position; compare objective factors such as required skills, effort, responsibilities, and working conditions.
- b Measure progress individually, set clear policies for promotions,** and update them regularly to ensure your company is not systematically rating men more highly and promoting them more quickly. Managers should help employees set individualized goals with tailored metrics to ensure that their achievements are objectively compared to others. Then managers should ask them to track what they had done every week on a virtual whiteboard that the rest of the team and the directors up the chain could see. They should also track how long each task would take to accomplish and its level of difficulty (high, medium, or low).¹⁵ This would ensure that lower visibility tasks that tend to be performed by women are also noticed, and tasks become more comparable and their ratings less biased.

- c Have managers explain the rationale behind their performance evaluations and promotion recommendations.** When individuals have to justify their decisions, they are less likely to make snap judgments or rely on gut feelings, which are prone to bias. Research conducted by the University of Southern Denmark showed that students evaluated the work of females differently and valued them less than that of males.¹⁶
- d Ensure transparency through internal communication.** Create a dedicated section on your intranet for remuneration-related information, making it easily accessible for employees at all times. Schedule meetings with employees before and after merit reviews to set expectations, explain the review outcomes, and address any queries or concerns. Launch a platform where employees can pose any HR-related questions they have, promoting open communication.
Best practice: Starbucks developed an accessible pay calculator for their employees with transparent standards and calculation methods.¹⁷
- e Annual remuneration statement.** Prepare a detailed annual remuneration statement for each employee that goes beyond taxation requirements, explaining the different components of their total compensation.
- f Provide adequate training to managers,** ensuring they are equipped to discuss and explain remuneration practices with their respective teams.
- g Implementation strategy.** Develop a phased roll-out plan that introduces new levels of transparency in digestible stages. This gradual approach can help avoid shock or resistance within your company.¹⁸

2

Ensure pay transparency for future employees.

Pay transparency for future employees promotes equal pay by allowing candidates to negotiate salaries based on factual information rather than on personal characteristics or negotiation skills. Moreover, according to a Glassdoor report, 76% of job seekers consider a company's diversity, equity, and inclusion policy when considering a job offer, thus it would be beneficial to already have DEI-related steps in the job advertisements and later on, in the hiring process.¹⁹

a Publish a pay range or exact pay in the job postings.

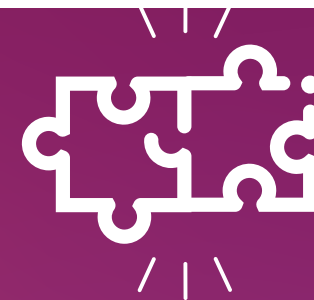
Keeping the exact value of a job as a secret creates a situation where negotiation skills determine the final compensation for a job and not its objective value. Moreover, it disadvantages women who tend to be less skilled when it comes to wage bargaining. Best practice from ALDI UK [here](#). The company was rated as one of the most transparent according to HR surveys.²⁰

b Make sure to refrain from requesting an employee's pay history. Basing future wages on previous wages perpetuates the existing gender pay gap. In other words, a woman's (or man's) pay history or past salaries should not determine the level of her or his present or prospective salary, but rather the value of the job itself.

c Specify family-inclusive features of your workplace. As for women, factors other than compensation and bonus packages tend to be more important: such as benefits in kind, flexible working conditions, family benefits. Specify all your family-inclusive benefits that parents, mothers and fathers can have in your company.

d Eliminate gender-related biases in the hiring process. Request and evaluate CVs without photos and biographic details, conduct CV-blind screening, ask structured, standardized questions for every candidate during interviews. Set up and regularly review the company policy specifying the questions about the candidate's private life that cannot be asked - for example family planning.

e Make inclusion part of your employer brand. Job adverts should highlight the company's commitment to attracting and retaining female talent and include the organization's diversity statement. The STEM Women Whitepaper, which surveyed female STEM students about why they chose certain career paths, found that 74% of respondents felt that diversity initiatives were either extremely or very important to them when researching potential employers.²¹



¹⁹<https://www.glassdoor.com/blog/glassdoors-diversity-and-inclusion-workplace-survey/>

²⁰<https://www.globenewswire.com/news-release/2018/7/31/1544319/0/en/PayScale-Recognizes-Employers-Driving-Employee-Trust-Via-Transparent-Pay-Practices.html>

²¹<https://www.stemwomen.co.uk/whitepaper-download>

II. Stop imposing penalties that burden women

1 Do not cut back on remote work, part-time options, home office availability, or flexible work schedules – supporting families (not only women) based on employees' special needs while meeting company requirements.

2 Introduce measures supporting working families with children or those with continuous care tasks.

a Include details about family planning and family care related policies in your job postings and make them transparent for every current employee.

Best practices: At Morgan Stanley in Hungary, they have introduced a coaching program for new parents, and organize programs for colleagues who spend time at home ensuring they remain engaged with company activities. Additionally, the company offers four weeks of paid leave for employees taking care of sick relatives.²²

At Fujitsu, policies are in place to support employees who are pregnant, have children, or are nursing. These include a babysitter subsidy, three in-house childcare facilities, and support groups for new parents. Furthermore, workshops have been held for employees who are nursing, as well as training seminars for managers on how to support employees who are nursing.²³

b Introduce compulsory parental leave for both mothers and fathers. In Hungary, mothers have 24 weeks of paid parental leave, but fathers have only ten days, and out of those only five days are fully paid, the rest just partially.

Best practices: Morgan Stanley introduced 16 weeks of paid parental leave in Hungary for fathers.²⁴ Sanofi Global offers 14 weeks of paid parental leave, IKEA in the U.S. introduced 16 weeks of paid parental leave and 26 weeks of paid parental leave in India.

3 Take efficient steps to shatter the glass ceiling. According to a 2023 report by McKinsey, female entry-level employees represented 48% of the corporate pipeline in the U.S. However, 28% reached the C-Suite - which is still a significant, an 11 percentage point improvement compared to the previous, 2015-2022 period. The report states that women lose the most ground when (not) being promoted from an entry-level position to manager.²⁵

a Analyze early promotions and address underlying bias, namely the presence of this practice: women are often hired and promoted based on past accomplishments, while men are hired and promoted based on future potential.²⁶

b Include responsibilities like career development, DEI, and employee well-being in managers' job descriptions and performance reviews to have an incentive for them to nurture employees' careers also based on DEI factors.²⁷

²²<https://hrpwr.hu/cikk/negy-honap-szabadsag-jar-ezen-tul-az-apaknak-a-cegoriasnal>

²³<https://www.weps.org/sites/default/files/2020-10/Empowering%20Women%20at%20Work-2020%20Report.pdf>

²⁴<https://hrpwr.hu/cikk/negy-honap-szabadsag-jar-ezentul-az-apaknak-a-cegoriasnal>

²⁵McKinsey&Company. Women in the Workplace. 2023. t.ly/7o0id

²⁶McKinsey&Company. Women in the Workplace. 2023. t.ly/7o0id

²⁷McKinsey&Company. Women in the Workplace. 2023. t.ly/7o0id

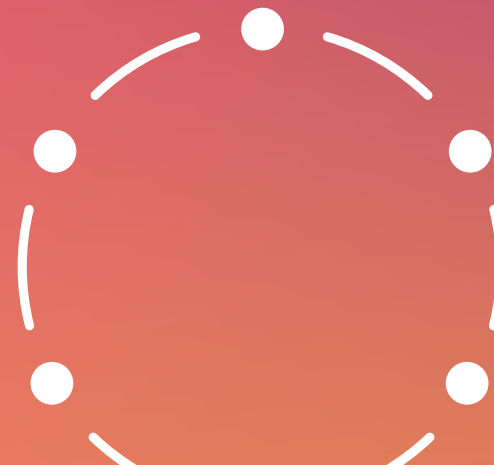
C Show future female leaders that they have a place in your company by offering programs that support talents, coaching sessions, and specific initiatives designed for career development.

Best practices: WeAreOpen launches a female leadership program in 2024 for women leaders in strategic roles, to be available for any company. The goal of the program is to prepare them for higher-level leadership positions. Equalizer Foundation (Egyenlítő Alapítvány) started a mentorship program with the support of Morgan Stanley in 2023. 50 mentors and mentees are connected for coaching sessions during an 8-month-long program so that mentees can reach a specific career goal by the end of their mentorship.²⁸

d Make sure that women have supervisory tasks and high-profile assignments, and the right amount of feedback on their performance. With a clear and transparent compensation and promotion policy (outlined earlier in this booklet,) that pins down progress on a weekly basis based on objective metrics, the kind of tasks women undertake in your company will become more visible. Evaluate the task screening and adjust the task types for employees so that women also get more high-profile assignments.

III. Create an inclusive company culture

- 1 Train managers, so they understand the impact of diversity, equity, and inclusion,** are aware of how they are biased in their decision-making, and have an idea of how their decision-making has an impact on business processes. Forget “token women” as a solution to diversity and inclusion, create Employee Resource Groups that can facilitate DEI from a bottom-up, and not only a top-down perspective.
- 2 Don’t expect women to do the “office housework”,** such as organizing events, coaching colleagues, or giving emotional support.
- 3 Ensure that women in your organization are encouraged to negotiate and are applauded, rather than penalized, when they do so, beginning with small project meetings.**





We know that change, especially sudden change can cause resistance, disagreement, and opposition in a company. Even more importantly this applies when transitioning to a workplace with more equitable practices, which may involve addressing underlying structural biases that are not readily visible or palpable for the majority.

We have good news for you, though. We are advocating slow, but steady measures and policies, instead of radical change, we advise you to go step by step according to a plan outlining evolutionary development. And we are here for you to offer our help in working out the best solutions tailor-made for your company in every stage of your DEI journey.

Founders



Supporting Members



Gold Members



Silver Members



**Thanks for the Team Sweden in Hungary
for their support and cooperation.**

Bronze Members



Author: Nóra Radó
Professional Lead: Nóra Várady
Project Lead: Balázs Rákóczi
Proofreader: Andrea Vági
Design: Publicis Groupe Hungary

Budapest, March 2024



WeAreOpen | Budapest 1056 - HU, Belgrád rkp. 26.
www.weareopen.hu | info@weareopen.hu