

# **Gender Wage Gaps: Contributing Factors and Policy Tools Used to Narrow the Gaps**

Tirza Willner   Elisha Ben Meir  
Smadar Somekh

Editor: Ronit Cohen Ben-Nun

English translation (Abstract): Hanni Manor

Graphic design: Efrat Speaker

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**Myers JDC Brookdale Institute**

P.O.B. 3886, Jerusalem 9103702, Israel

Tel: 02-6557400

[brookdale.jdc.org.il/en](http://brookdale.jdc.org.il/en) | [brook@jdc.org](mailto:brook@jdc.org)

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# Abstract

## Background

Over the past decade, there has been a steady increase in the employment rate of women in the labor force in Israel (from 63.4% in 1999 to 78.3% in 2018). In 2018, the labor force participation rate for women in Israel was higher than the average rate in OECD countries (76.2% compared with 69.1%). However, the average wage of women is still lower than that of men. The gender wage gap in Israel has hardly narrowed in the last two decades, standing at 31.9% in 2018 (for the average monthly wage). The government of Israel has set as a goal to narrow the gender wage gap so as to promote economic growth and reduce inequality in society.

In compliance with the recommendations of the Public Committee for the Promotion of Employment in Israel by 2030, set up by the Ministry of Labor, Social Affairs, and Social Services (MOLSA), the Labor Branch at MOLSA asked the Myers-JDC-Brookdale Institute to examine the nature and causes of the gender wage gap in Israel and the policy tools that have been found to be effective in narrowing such gaps in Israel and around the world.

## Study Goals

The goals of this study are as follows: to describe the gender wage gaps in Israel in comparison with the other OECD countries and analyze the causes of these gaps; to provide a comprehensive, up-to-date picture of the policy tools used in the OECD to narrow gender wage gaps and their effectiveness in narrowing such gaps; to offer practical recommendations for the application in Israel of the most suitable and effective tools.

## Method

A systematic analysis of the literature was carried out to provide a comprehensive, up-to-date picture of the policy tools used to narrow gender wage gaps and their effectiveness; it focused on studies that examine the effectiveness of such tools. To describe the gender wage gaps in Israel in comparison with the other OECD countries, the study team conducted a comparative analysis of survey and administrative data compiled by the Israel Central Bureau of Statistics and the Council for Higher Education in Israel and corresponding OECD data.

## Findings

Analysis of the survey and administrative data along with the literature indicated that that gender wage gaps are caused by the following: women commonly work for pay fewer hours than men (8 hours per week less than men on average in 2017); women are generally employed in lower-paying employment sectors (in 2018, 80% of all employees in health and welfare services and in education, low-paying employment sectors, were women); fewer women work in high-paying jobs or in managerial positions (in 2018, only 34% of all managers in Israel were women). The literature review shows that various social, cultural, and behavioral factors impact the employment patterns characteristic of women and thus contribute to the gender wage gap. Gender role differences and subsequently, the unequal burden of responsibility for the home and family assumed by men and women, and the conflict women experience between their commitment to the family and their commitment to the work are among the main factors contributing to gender wage gaps.

Various policy tools are concurrently used in the OECD countries to narrow gender wage gaps. This study offers a model for classifying the policy tools in use. Under the model, the policy tools are classified in three groups according to the target population: tools that focus on the family; tools that focus on the employers; and tools that focus on the individual. The tools are further classified according to their mode of implementation: (a) mandatory versus voluntary; (b) rigid versus flexible. The model links the effectiveness of policy tools in narrowing gender wage gaps to their mode of implementation, the expected outcome (whether narrowing gender wage gaps or reducing the causes of these gaps), and the target population (family, employers, or the individual). Given the above classification of policy tools, the following findings are indicated:

- **The more rigid and mandatory the tool, thus leaving less room for discretion as to the mode of implementation – e.g., legislation enforced by sanctions – the more effective the tool in narrowing gender wage gaps or reducing the causes of these gaps.** For instance, gender representation quotas or wage transparency are notably more effective in narrowing gaps when implemented as mandatory tools.
- **Tools focused on achieving outcomes are more effective than tools focused on improving the process.** For instance, gender representation quotas designed to ensure gender equality of representation were found to be far more effective than quotas designed to promote equal opportunities for candidates applying for a specific position.
- **Tools that address all target populations involved in the gender wage gap are more effective in reducing the gap than tools focused on women only.** Thus, tools designed to deal with the unequal burden of

responsibility for the home and family and hence, the availability for commitment to work – e.g., flexible working arrangements – were found to be more effective when targeting both men and women rather than women only.

## **Conclusions and Recommendations**

Notwithstanding the high employment rate of women in Israel, the gender wage gap has hardly narrowed in recent decades and is still significant. Evidence accumulated over the years indicates that economic growth and equality in society would be promoted by reducing the gender wage gap. However, although it is a broad socio-economic issue with far-reaching implications, the complexity of the phenomenon coupled with the view that gender wage gaps are a challenge for women rather than for men obstruct the attempts to narrow the gaps.

Given the study findings, it is recommended that the policy tools designed to narrow gender wage gaps be simultaneously implemented on various levels, targeting family, employers, and the individual, be mandatory rather than voluntary, focus on achieving outcomes, and target both men and women rather than women only.