

# **Women in the Labour Force: How well is Europe doing?**

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## **ABSTRACT**

Women have made important advances in labour markets. The distinctions between the activities of single and married women are not as sharp as they used to be, and ambition to do well in a job is no longer restricted to men. Do our labour markets treat women as well as they treat men? Are women happy with their opportunities and outcomes in the labour market? How do other workers fare when more women come out of their homes to seek employment? This report aims at answering these questions.

In the year 2000 the European Union adopted the important Lisbon agenda, which was to guide employment policy over the next 10 years. The emphasis was shifted from unemployment to employment. About 54 per cent of women aged between 15 and 64 were in employment in Europe in the year 2000. In Lisbon it was agreed to aim for a rate of more than 60 per cent by the year 2010. It was also agreed to emphasise high skills and a knowledge-based economy. Later, in Stockholm, targets concerning equality of both employment opportunities and wage earnings between men and women were added. Achieving these objectives requires more than just providing jobs for the unemployed: it requires a lot of new job creation. This means that more women will have to join the labour force and for this to happen a rise in the earnings of women relative to men will be necessary.

In this report we examine the present record of European countries in providing jobs for women and we compare it with the United States and with the labour market for men. We look at successes and failures experienced so far and we suggest policies to enhance the role

of women in the labour force. We find that some European countries, the Scandinavian countries and the United Kingdom being the best examples, have already achieved a 60 per cent employment rate for women. The others are still behind. The new members joining the Union in the year 2004 are, with very few exceptions, even further behind. In the Mediterranean countries women's employment rates are only about 40 per cent.

Is the Union likely to achieve the Lisbon objectives by the year 2010? We argue that to achieve them we need to reform our labour markets more. Many European countries are not flexible enough to provide non-standard forms of employment, especially part-time jobs. We find evidence that women derive satisfaction from part-time employment, suggesting that these jobs can be a good form of employment. Reforms that allow such jobs to emerge will improve women's choices. Moreover, most new work opportunities for women will arise in small companies in the service sector. Measures aimed at increasing the flexibility in the setting up of these businesses will consequently help women's employment prospects. Increasing flexibility, however, inevitably reduces the feeling of job security, but an active buoyant labour market continually creates new jobs. The best security that one can offer is the assurance that if one's job gets outdated and unproductive a new one, which is more up-to-date and better paying, will soon be available. Incentive-based unemployment insurance could provide extra cover during short periods of unemployment.

We also show that activity rates for women drop dramatically when they get married and have children. Yet, in countries where there is subsidised provision of family care, the drop is not so pronounced. Providing more subsidised family care units is one of the objectives agreed by European Union leaders, as part of the overall aim of increasing women's employment rates. It will certainly help. But a cheaper alternative is to encourage private enterprise to do it, by giving incentives for the creation of small companies that provide such services.

However, even the countries that have succeeded in increasing employment rates for women, have not yet succeeded in closing the gap between men's and women's pay. Perhaps surprisingly, European countries are doing better than the United States in terms of equal pay. Closer examination shows that this is due to the more compressed pay structure in Europe. Especially in Scandinavian countries, where there is less wage inequality across the board, the pay differential between men and women is also lower. In the United Kingdom, where there is more inequality than in Scandinavian countries, but not as much as in the United States, the

wage gap between men and women is higher. The gender pay gap is also smaller in the Mediterranean countries, but this is has a different reason: in these countries women participation is very low and only the most skilled, and therefore most paid, women choose to work.

In our comparison between the male and female labour markets, we find that there still is discrimination that needs to be corrected. Women are discriminated mainly in the wages that they earn, although they are also more likely to be found in temporary jobs that are not as good as regular ones.

Encouraging more women to enter the labour market can have enormous benefits for a country. However, this could also make the labour market more competitive for some other groups, particularly young men, and policy needs to deal with this situation. Measures that encourage more women to come into the labour market need to be accompanied by policies that give more employment incentives to youths, for example, through training programmes or subsidies to employers.

The report concludes that the way forward is to remove penalties from firms that create more flexible forms of employment and to show more commitment to equal pay legislation. Women lose out in the labour market from interruptions due to family commitments. Policy could help in this connection by making it possible to minimise interruptions, by providing more family care units or by making it possible for the private sector to provide them. Other groups of the population should not be neglected and youths in particular should be helped to deal with the keener competition generated by having more women in the labour force.