Background note on calculations for 8 march 2025.

This note seeks to provide background information on what the plausible impact could be of restricting pay transparency only to firms with at least 250 employees, leaving out those with 100 to 250 employees. This calculation requires several steps:

1. Estimate the gender pay gap by firm size in the EU
2. Calculate the expected impact of pay transparency for each group
3. Contrast two situations: one where all workers in firms with at least 100 employees are covered by the pay transparency directive, and one in which it is only those with at least 250 employees. This difference is the cost in terms of women's lost wages

Section 1: the gender pay gap by firm size in the EU

The best available source for gender pay gaps at the EU-level by enterprise size is the Structure of Earnings Survey. I take data from the latest, 2022, wave as published on Eurostat. First, the table below shows the number of women working in enterprises of different sizes following the general dissemination rules of Eurostat (source: stat_earn_ses22_53). One issue here is that the pay transparency would affect companies of over 100 employees, and in the SES (and other Eurostat data) the size reported is 50-249. There is no clear source to indicate how the distribution within this group is, so I assume here that the group of women working in firms of between 50 and 99 workers is a quarter of the women working in enterprises with between 50 and 249 workers. For 2022 this would then be 10.4 million women who are working in enterprises of between 100 and 249 employees, who are covered by the pay transparency directive, but who Business Europe would like to exclude by making the reporting among the least extensive (Duchini, Simion and Turrell, 2024). The second column shows the estimated wage gap, in euros, of women compared to men. This is calculated separately for each of the 27 EU member states and for each of the 9 large occupational groups (managers, professionals, technicians and associate professionals, clerical support workers, service and sales workers, skilled agricultural, forestry and fisheries workers, craft related trades workers, plant and machine operators, elementary occupations). In enterprises of between 50 and 249 employees the average gender pay gap is 2.76 euros per hour worked. The final column then indicates the mean hours worked per women in a month. These numbers are based on 2022, but we make the assumption here that the situation is not drastically different.

To put this jointly then, the wage women lose on a yearly basis on average compared to a man who works similar hours in the same country, also in a small and medium-sized enterprise, and in the same large occupation, is calculated by multiplying the pay gap of 2.76 euros with the 140 hours worked per month and further multiplied by 12 to go to

yearly basis. This comes to 4,640.45 euros lost on a yearly basis per woman. As this affects an estimated 10.4 million women the total amount of this pay gap comes to 48,081,624,433 or 48.1 billion euros.

Table 1: estimates on gender pay gap, nr of women, and hours worked per enterprise size

Establishment size	Nr of women	wage gap per hour worked (euros)	Hours worked per month
1-9	6,003,050	-2.16	131
10-49	13,818,062	-2.26	131
50-249	13,815,212	-2.76	140
estimate 50-99	*3,453,803*		
estimate 100-249	*10,361,409*		
250-499	5,475,730	-3.51	141
500-999	5,193,928	-3.99	141
GE1000	21,892,199	-4.09	139
total	80,013,393		

Section 2: the expected impact of pay transparency

The second question is then how pay transparency would affect this total pay gap. This section briefly reviews evidence on how to estimate the potential impact of pay transparency on the gender pay gap.

First, several literature studies and reviews indicate very clearly that pay transparency does help reduce the gender pay gap at relatively low costs for employers, and is therefore an ideal measure (Bennedsen, Larsen and Wei, 2023; Duchini, Simion and Turrell, 2024; Gamage *et al.*, 2024). A first way to quantity this effect is by comparing the within-firm gender pay gaps, adjusted for other characteristics, in countries with and without pay transparency legislation. I use two recent cross-national studies that report the within-firm gender pay gap for different countries for this. First, an OECD report (2021, p. 151) shows an average gender pay gap of 16.9% where there is no pay transparency (PT, EE, HU, NL, SK) and 14% where there is (FI, DE, AT, IT, DK, ES, FR, SE). Second, in a large project comparing different countries Penner et al (2023) find a gap of 15.4% where there is no pay transparency (CZ, SI, NL, HU), and 12.9% where there is (DE, DK, NO, ES, SE, FR). The decision which countries are included is based on OECD

reports and a report by the European network of legal experts in gender equality and non-discrimination.

Of course, country differences may be due to many other reasons. It is therefore important to also consider explicitly causal studies that exploit a variation in the pay transparency. This can be because a new legislation or change to existing regulation, or due to regional variation within a larger country as when comparing states in the US. A particularly interesting case is published by Roussille (2024) who looks at the ask pay gap for engingeering cadndiates on an online platform where people had to report their desired pay. This shows women asked for about 3% less than equally qualified men. However, some candidates later received a change in the platform where they were provided with a pre-filled box of the median bid salary for a specific task. This reduced the gender pay gap to around 0 with no changes in women's receiving of jobs. Other studies exploited larger policy changes, such as the 2010 UK equality act, which resulted in an 18% reduction of the gender pay gap (Blundell *et al.*, forthcoming); act 562 in Denmark requiring gender-based reporting which led to a 13% reduction (Bennedsen, Larsen and Wei, 2023); the end of pay secrecy in certain states in the US which was associated with a 12 to 15 percent decline in the gender pay gap among college-educated people. These studies then all point to a reduction in gender pay gaps by 10% to 20% upon pay transparency.

As an average I would then propose to assume adjusted pay gaps could be reduced by around 15% with pay transparency.

This would change the average pay gap among women working in small and medium-sized enterprises from 2.76 euros per hour to 2.35 euros per hour worked, or 3,944.4 euros per year. By again multiplying this with the number of women wo we assume work in enterprises with between 100 and 249 employees the wages lost come to 40,869,380,768 or 40.1 billion euros.

Section 3: The cost of a relaxed pay transparency

The final calculation is then calculating the cost to women of excluding the enterprises of between 100 and 249 employees from obligations to report. As mentioned above, if we assume that pay transparency requirements reduce the gender pay gap by around 15% the gender pay gap for the 10.4 million women working in enterprises of between 100 and 249 employees would decline from 4,640 euros per year to 3,944 euros per year meaning a gain of 700 euros per year per woman, or 7.2 billion euros (7,212,243,665). This cost is borne by women working in small and medium-sized enterprises.

For a more conservative estimate of pay transparency reducing the gender pay gap by 10% - which would put it at the lower end of published estimates – the wage gap would

instead by reduced from 2.76 euros per hour to 2.49 euros per hour or 4,176 euros per year. In the aggregate the cost of excluding these workers from pay transparency would then amount to 4.8 billion euros (4,808,162,443 euros).