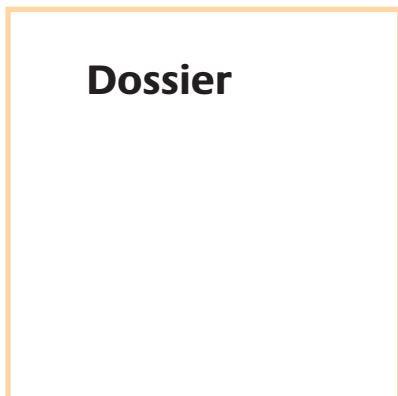




Federal Ministry for  
Family Affairs, Senior Citizens,  
Women and Youth

# Pay Inequality between Women and Men in Germany





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## Introduction

Still, women in Germany on average earn 23 per cent less than their male colleagues. In terms of an EU-wide comparison, this puts Germany seventh from the bottom. When it comes to university graduates and managerial positions, the gap is even wider.

The aim of this dossier is to identify the causes of the wage disparity between women and men, and to present measures to effectively narrow this pay gap in Germany. At the same time, it also seeks to clarify which options individual actors dispose of and what forms of co-operation between them may be developed.

In accordance with the EU Commission, the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth embraces a **strategy for combating pay inequality which addresses its major causes**. As various studies commissioned by the Ministry have found, there are three main causes of the gender pay gap which are explored in closer detail in Chapter II:

- I **Women are missing in certain professions, sectors and on the upper end of the career ladder:** The horizontal and vertical segregation of the labour market along gender lines continues to be a reality.
- I Women interrupt their **careers and reduce their working time** for family reasons more frequently and for longer periods than men.
- I Individual and collective **pay negotiations** have not yet succeeded in effectively overcoming the traditionally low evaluation of female-dominated professions.

The wage gap is a **key indicator** of the persistent gender inequality in working life. In this one benchmark – the ratio between women’s and men’s gross hourly earnings – (nearly) all aspects of the problems with which women continue to be confronted in their working lives are concentrated. Women’s limited job range, the obstacles they face in their professional development, traditional gender roles in several social groups and environments, the practical and mental difficulties of reconciling family and working life including the hurdles faced by women re-entering the labour market after a career break all contribute to the wage gap, as does the evaluation of female-dominated occupations.

At the same time the wage gap itself constitutes a **persistent (false) incentive** for women’s labour market participation. As the prospect of low wages result in a lower inclination to take up gainful employment and long career breaks result in more pay inequality, a vicious circle is set

up. If and for as long as women are earning less than men they will leave their jobs more frequently for family reasons, thus confirming the employer's prejudice of the female "secondary wage earner". Women who become the family breadwinner as the result of their husband's unemployment, the death of their partner or divorce must provide for their families with their lower female wage. The poverty risk of these families can partly be attributed to the wage gap.

Thus, while pay inequality is on the one hand a consequence of traditional gender roles, on the other hand it reinforces the hierarchical distribution of responsibility between women and men within partnerships even though this might not be the life model preferred by the couple in question. Pay inequality is both an economic anachronism and a risk factor in terms of social modernisation and the prevention of poverty.

Over the past three years, the Federal Government has paid increasing attention to the issue of pay inequality. Numerous initiatives encourage young women and men to open up their career paths and thus to overcome the traditional divisions in the labour market. The new parental benefit with its months of leave reserved for the second parent, the expansion of day-care facilities for children and the action programme "Perspective Re-entry" all contribute to a shortening of family-related employment breaks. The General Equal Treatment Act (*Allgemeines Gleichbehandlungsgesetz – AGG*) offers new opportunities for the judicial review of decisions on promotion and preferential treatment.

The dossier on pay inequality focuses on four key areas. A background chapter introduces definitions, facts and figures. Secondly, the major causes of the gender-specific wage gap in Germany are discussed, their interdependencies examined and their relative importance assessed. The intention here is to provide a factual analysis of the gender pay gap and its origins – not its justification. The individual determinants of the wage gap are analyzed in terms of their impact on the wage differential. Findings for Germany are assessed in their relation to comparable European statistics, and first model solutions from neighbouring European countries are presented. On the basis of these analyses, the dossier concludes with a chapter on measures to reduce pay inequality, their allocation to the different actors involved and an overall future-oriented assessment.

# I.

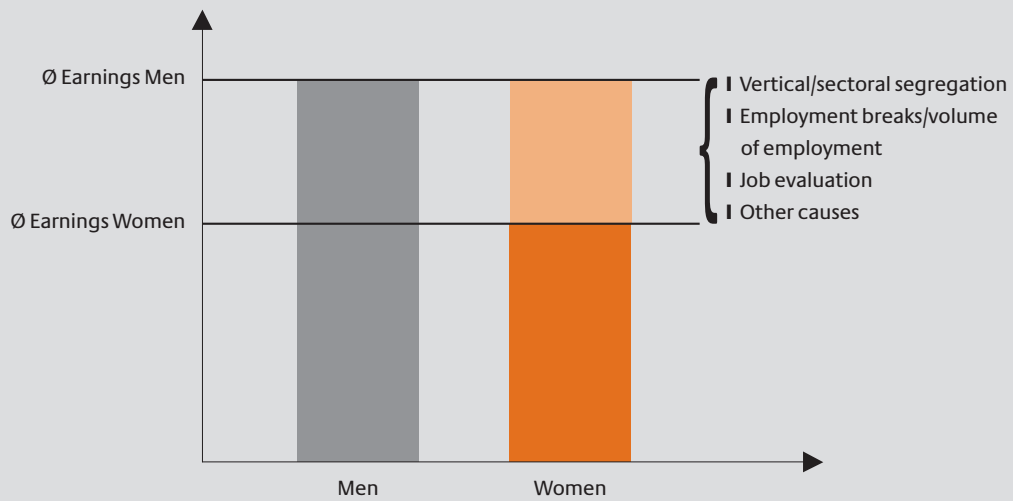
## Background

### 1.1 Definition of Gender-Specific Pay Inequality

Official statistics map the earnings differential between women and men with the structural indicator of the **gender pay gap (GPG)**. The GPG gives the percentage differential of the average gross hourly rates paid to women and men respectively (aged 16–64 years, minimum working time of 15 hours per week). It covers all male and female workers in the entire economy, with no age or working time limits from 2006 onwards (however so far excluding the sector of public administration). Following an EU-wide harmonisation, the Structure of Earnings Survey published every four years has served as the basic data source. Estimations of national sources, in Germany the Quarterly Survey of Earnings (*Vierteljährliche Verdiensterhebung*) have been used for the years between the surveys. The calculation of the GPG by the Federal Statistical Office (Destatis) also serves as the basis for Eurostat's annual computation of the structural indicator for the European Commission which establishes European comparability.

These calculations are always based on the so-called **unadjusted** (average or simple) pay gap, i.e. the simple comparison of the gross earnings of women and men. This percentage wage differential is essentially calculated as the difference between the respective average/mean wages of women and men (as a percentage of the average/mean wages of men).

Figure 1: Determinants of the Pay Gap – General Scheme



Source: with reference to Strub et al. (2008).

The **adjusted** wage gap is calculated on the basis of the earnings of women and men with the same individual characteristics, i.e. comparison is made between women and men with the same educational status, working in the same occupations and sectors, and with the same form of employment (full-time, part-time and “mini-jobs”) and so on. As women and men often differ with regard to these characteristics these differences can explain part of the unadjusted wage gaps cited above. **Empirical research suggests that the criteria “employment breaks” and “volume of employment” especially significant.**

The difference in remuneration for women and men can be measured in a variety of ways. Thus, calculations may be based on hourly wages, monthly or annual income or the overall earnings over the course of the working life. Gross or net income may be considered and the analysis may be limited to specific groups such as full-time employees or exclude others. The number of combinations of individual parameter values is virtually unlimited. There is no one “correct” measure of the wage differential. The suitability of the indicator used always depends on the (research) question as well as on the available data sources.

Typically, **gross hourly wages** are regarded. They also form the basis of Eurostat’s computation of wage differentials (“Gender Pay Gap in Unadjusted Form”). The gross hourly rate is a suitable indicator when the focus of the analysis lies on equitable remuneration. In this context, a restriction to hourly rates is appropriate as it properly takes into account differences in earnings solely attributable to differences in the number of working hours.



An additional indirect consideration of the monthly or annual income can also make sense as the calculation of the hourly rate should take into account **all wage elements**. However, the hourly rates fixed by collective agreements take no account of special payments such as Christmas bonuses or other bonuses and gratifications.

Various poverty risks can be assessed more accurately when net earnings are compared in contrast to the comparison of the gross hourly rate.

Apart from the Structure of Earnings Survey and the Quarterly Survey of Earnings of the Federal Statistical Office (*Statistisches Bundesamt*) there are numerous other data sources describing the gender-specific earnings situation. As each of them is covering a particular sector of our employment system and as they differ from the official statistics in terms of the survey methods used, the timeframe and particular sector covered, the scope (e.g. with regard to the individual characteristics observed) as well as with regard to the data provided (e.g. gross or net income; hourly, monthly or annual income), they obviously arrive at different results. Paramount among these other data sources are:

- The IAB-Employee Sample (IAB)<sup>1</sup>
- The German Socio-Economic Panel (SOEP)
- Online surveys like [www.frauenlohnspiegel.de](http://www.frauenlohnspiegel.de)

The data from these and other surveys and their analysis are useful for shedding light on specific questions and should thus be considered additionally. **However, the “Gender Pay Gap” as calculated by the Federal Statistical Office remains the basis for official statements on the issue.**

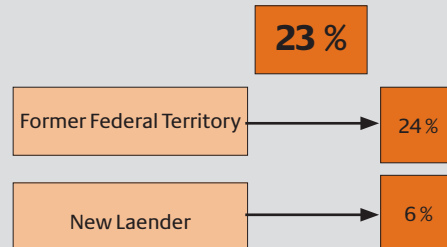
## 1.2 Pay Inequality in Germany – Facts & Figures

Currently, neither national nor international statistics are available which can give a comprehensive view of the development of women’s and men’s earnings: **All available data sources can only cover sub-segments of the labour market**. However, as discussed in section 1.1, estimates of the difference in earnings between women and men always depend on the available data, the specific sample, the method used etc. Consequently, the results vary greatly. Using the findings of the German Federal Statistical Office and Eurostat as a point of reference allows us, however, to present the following facts:

<sup>1</sup> Institute for Labour Market and Employment Research

**All over Europe women earn less than men.** On the EU level, the gender pay gap amounted to 17.4 per cent (average of all 27 member states) in 2007. In Germany, the pay gap adds up to 23 per cent<sup>2</sup> according to the Federal Statistical Office, with a clear divide between Western Germany (24 per cent) and Eastern Germany (6 per cent).

**Figure 2: The Pay Gap between Women and Men**



Source: Destatis (2008a).

Currently Germany still occupies a place in the lower third of the EU ranking – the seventh place from the bottom, but still before Austria (25.5 per cent) and the Netherlands (23.6 per cent).<sup>3</sup>

<sup>2</sup> Destatis (2008a), Verdienstabstand zwischen Männern und Frauen im Westen höher als im Osten; Press Release, 14 November 2008.

<sup>3</sup> Prior to harmonisation of the data survey in 2008 Germany was in the third to last place.

## II. Pay Inequality in Germany

### 2.1 Main Causes of Pay Inequality

All surveys concur in identifying three points in particular as the major causes of existing inequalities:

- I **Women are missing in certain professions, sectors and on the upper end of the career ladder:** The horizontal and vertical segregation of the labour market along gender lines continues to be a reality.
- I Women interrupt their **careers and reduce their working time** for family reasons more frequently and for longer periods than men.
- I Individual and collective **pay negotiations** have not yet succeeded in effectively overcoming the traditionally low evaluation of female-dominated professions.

#### 2.1.1 Education and Horizontal/Vertical Segregation – Gender-Specific Divisions in the Labour Market (Complex of Origins I)

The continuous horizontal and vertical segregation in the labour market is an obvious fact in Germany as well as in Europe. It can be described and explained by referring to various determinant factors. Key determinants, which will be examined in greater detail in this chapter, are the educational differences between women and men, differences with regard to work experience, choice of sector and professions as well as differences in the access to career paths (hierarchy levels).

#### Education

Educational status (i.e. the endowment with human capital) is the first key parameter. For a long time, the lower average educational attainment of women has been a convincing explanation for the segregation in the labour market and thus of the wage gap itself. Cost-intensive long-term investment in women's education used to be considered as less profitable and thus less sensible because women (and their parents) expected that they neither could nor would wish to be continuously employed over

**Education is becoming increasingly important for women**

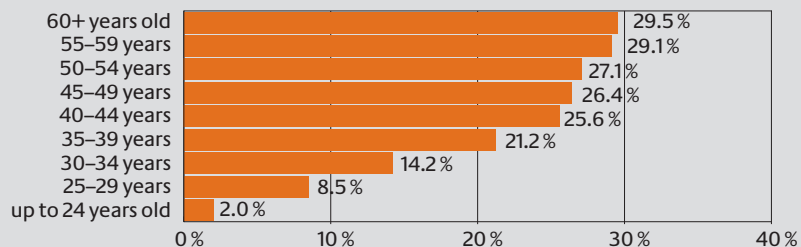
course of their life due to family obligations or child-related employment breaks. This means that – especially in the past – women with the wish to start a family would make fewer efforts to gain education or training already at the start of their working life in order to minimise the “losses” a long employment break would entail. These decisions from the past are still reflected in current statistics: In **2006** around 34 per cent of male employees had a **higher education degree**, while **the corresponding ratio of women amounted to only 26 per cent.**

In younger age groups the situation has however radically changed. **Women have started to outperform men in terms of educational attainment.** In 2005/06, 54 per cent of students at grammar schools (*Gymnasium*) were girls while in the secondary moderns (*Hauptschulen*) boys formed a majority of 56 per cent. 49 per cent of all university graduates are women. If the high educational attainments of the younger female cohorts also translate into the elimination of horizontal (and vertical) segregation in the labour market, positive effects of educational expansion on the reduction of the pay gap may be immediately expected.

### The pay gap widens with age

The general process of catching up in terms of educational levels seems to be reflected in the analysis of the pay gap by age. Thus, it can be stated that while the pay gap stood at 8.5 per cent for female employees aged 25 to 29 it was more than three times larger (29.1 per cent) within the age group of the 55 to 59-year-olds (figure 3). On the one hand, these differences may indeed be ascribed to **the change in educational behaviour over time**, i.e. to the fact that younger women are better educated than older women in relation to their male peers. On the other hand, however, this difference in the pay gap can also be explained by the fact that female employees under 30 years of age have not yet interrupted their careers due to family obligations whereas older women’s earnings have already suffered from such employment breaks.

Figure 3: The Pay Gap between Women and Men by Age Group<sup>4</sup>



Source: Destatis (2008b).

<sup>4</sup> First findings of the project with the Federal Statistical Office, Destatis (2008b), “Verdienstunterschiede zwischen Frauen und Männern”, unpublished.

Despite the positive trend with regard to women's educational attainment, a study by the German Business Institute (IW) shows that this will not automatically lead to a reduction of the wage differential in the future. In 2001 women who completed vocational training or passed their A-levels (*Abitur*) only earned 92 per cent of the income of men of the same age group and with an identical educational background. **Comparing professionals with a university degree, women even earn a mere 88 per cent of the income gained by men.** In Germany, the gender pay gap is particularly wide among university graduates and employees in managerial positions. The higher educational dividends generated by men, especially with college and university degrees, could possibly be attributed to the choice of their degree course. It has been shown that in **their selection of a degree course, men prefer mathematics, natural sciences, technology and associated subjects**, while women frequently opt for languages and the humanities. The latter, however, are less profitable and less in demand in the labour market. The fact that women are slower in stepping up the career ladder is another contributing factor.<sup>5</sup>

**The pay gap is not less among highly qualified professionals**

#### **Choice of Profession and Sector (Horizontal Segregation)**

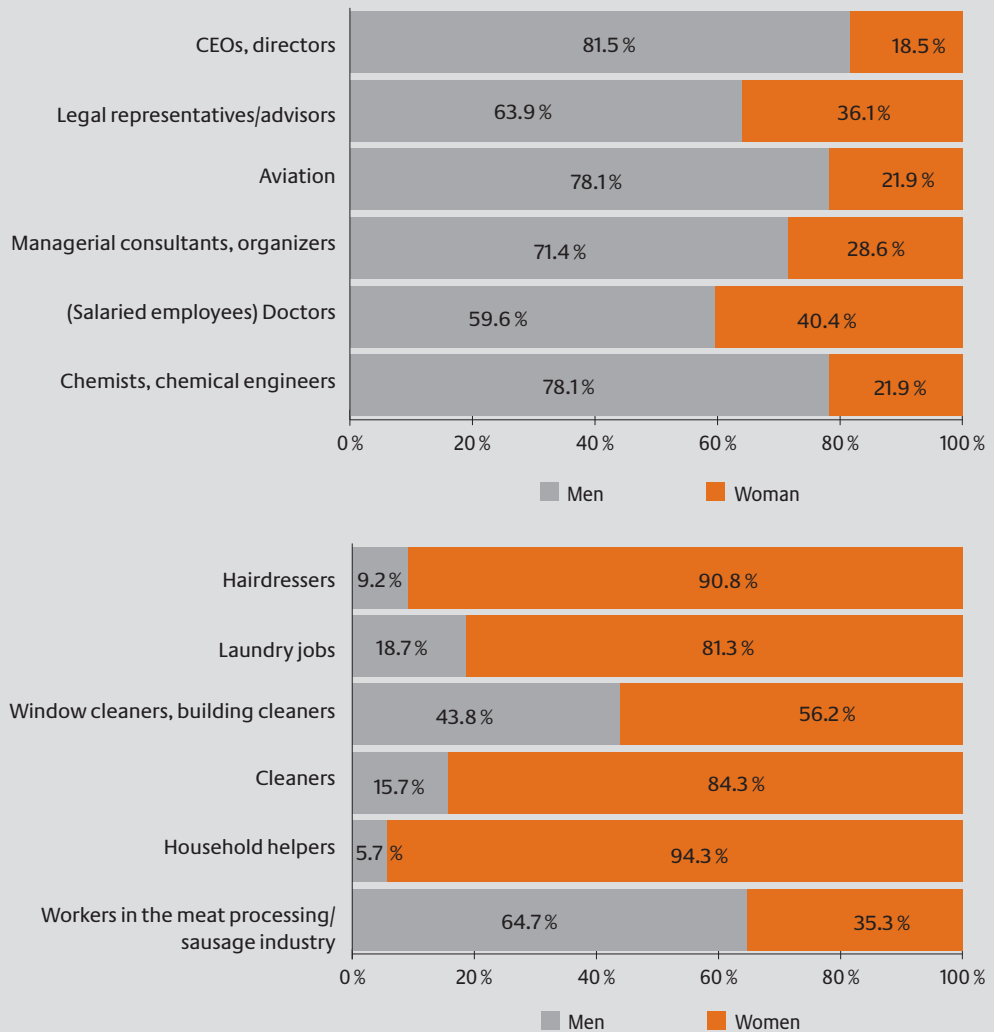
The so-called horizontal segregation or the fact that women choose from a narrow range of professions is a direct contributing factor to the lower average remuneration they receive. The different preferences of men and women in terms of their occupational choices lead to their unequal distribution across sectors and companies. This phenomenon is frequently referred to as the self-selection of the sexes. As wages and salaries can vary considerably across different professions, sectors and companies, this determinant of the wage differential remains largely uncontroversial.

**Women choose from a limited range of occupations**

According to the study by the German Business Institute, over half of the young women select a mere **ten professions** out of 350 existing vocational training professions. **These female-dominated professions in the service sector are less well-paid than the professions in the technology/natural sciences sector preferably chosen by men.** Likewise, the choice of university courses follows traditional lines with natural and engineering sciences being dominated by men. Thus, women are deprived of important career opportunities. At the same time, according to figures provided by the Federal Statistical Office, over 70 per cent of men and only 30 per cent of women work in jobs with high salaries, depending on the sector (figure 4). Overall, only 9.4 per cent of top earners are women.

<sup>5</sup> IW (German Business Institute) (2008a), survey on "Der geschlechtsspezifische Lohnabstand: Indikatoren, Ursachen und Lösungsansätze", unpublished. Commissioned by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

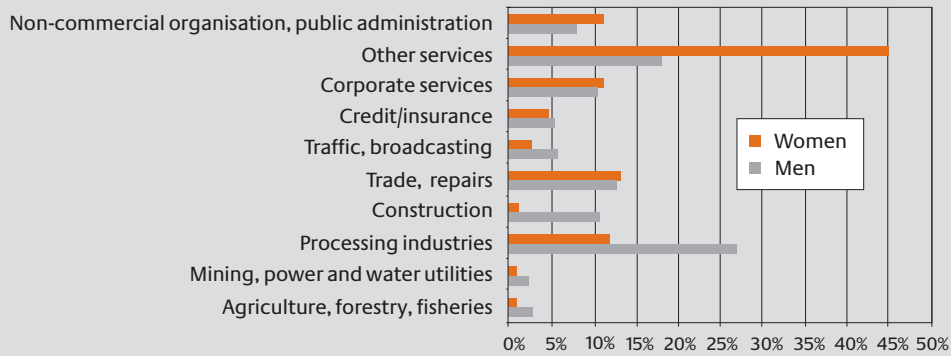
Figure 4: The Ratio of Women and Men in Professions



Source: Destatis (2008b).

Figure 5 documents the different distribution of women and men across various sectors which serves to confirm the hypothesis of divergent occupational choices and the narrow range of professions chosen from. Thus the number of women employed in the service sector is considerably higher than the number of men. In contrast, women are – relatively speaking – underrepresented in the manufacturing sector which, according to the IW study, is characterized by high average wages.

**Figure 5: Sectoral Distribution of Women and Men in Gainful Employment, 2006, in Per Cent<sup>6</sup>**



Source: IW (2008b); SOEP.

### Hierarchical Levels (Vertical Segregation)

If women are rare in managerial positions and if they earn considerably less in these positions, this directly leads to a gap when the average gross hourly rates of women and men are compared. The impact of vertical segregation in the labour market can clearly be described as a key factor in causing the pay gap.

Even though the Executive Survey of the German Institute for Economic Research (DIW) on women in managerial positions<sup>7</sup> as well as the assessments following the agreement between the Federal Government and the leading associations of German industry on the promotion of equality of opportunity for women and men in the private sector have shown an increase in the proportion of women in top corporate management positions in recent years, it remains uncontested that **women are still underrepresented in these positions**. On their way to the top they seem unable to break through a “glass ceiling”. One possible explanation is the so-called “statistical discrimination” (see section 2.2.1). This refers to the phenomenon that women are less often promoted because companies assume that they are less likely to stay within the company in the long term than men. There is however no empirical evidence of gender-specific differences in the fluctuation rate among employees in managerial positions.

**Women rarely work in managerial positions and ...**

It's a fact that men assume nearly three quarters of all managerial positions. **Overall, the proportion of women in managerial positions declines with the size of the company as well as with the level of the corporate hierarchy.** A study by the Hoppenstedt Busi-

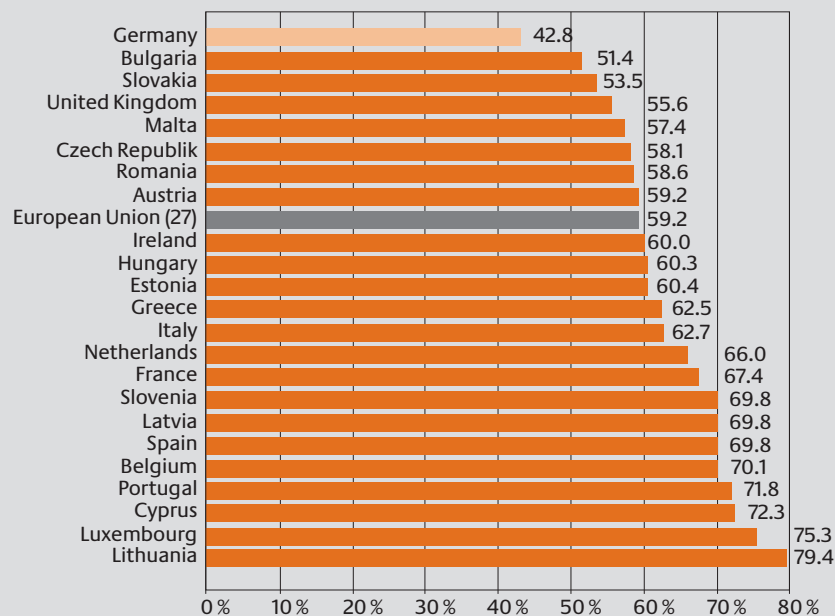
<sup>6</sup> Aged between 15 and 65.

<sup>7</sup> DIW German Institute for Economic Research (2008a), Project: “Führungskräfte – Monitor, 2001–2006”, publication pending, commissioned by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

ness Information Service<sup>8</sup> even concludes that the proportion of female top managers in major German companies has recently declined. In early 2008 they made up 5.5 per cent while in early 2007 their share was still at 7.5 per cent. In the preceding years the ratio of female top managers had risen steadily according to Hoppenstedt. Within middle management women continue to be most frequently represented in advertising, human resources and marketing. According to current data, the ratio of women heading human resources departments is 29 per cent for major corporations, 33 per cent for medium-sized companies and 35 per cent for small enterprises. In contrast, the post of head of research and development is only held by women in small proportions of between approx. 4 and 11 per cent. In terms of an EU comparison, the proportion of women in more broadly defined managerial positions amounted to 28 per cent on average, while Germany reported a share of 29 per cent. However, for women with children the situation in Germany looks especially dim. Thus, the proportion of mothers among women in managerial positions in this country adds up to only 42.8 per cent, putting Germany at the very bottom of the European table. Family obligations were (and still very much are) a significant career obstacle for women in Germany.

... mothers are even less represented in top positions

Figure 6: Proportion of Mothers among Women in Managerial Positions (Age Group 30–44 years), 2005, in Per Cent



Source: Eurostat 2007, no data for Denmark, Finland, Poland, and Sweden.

... and earn less than men in top managerial positions

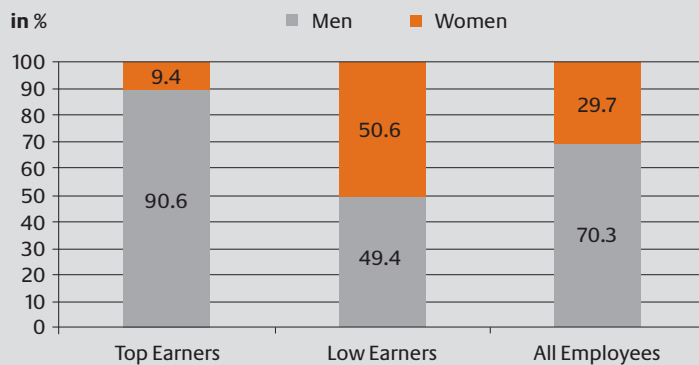
Analyses by the DIW Executive Survey show that **managerial positions in women's professions** (professions with 70 per cent of female employees or more) are **less well paid than those in men's professions**. In 2006, female managers in women's professions earned an average gross wage

<sup>8</sup> Wirtschaftsinformationsdienst Hoppenstedt (2008), Hoppenstedt-Briefing "Frauen im Management".



of around 2,950 euros per month which is only 68 per cent of what female managers in men's professions earn. Moreover, the incomes of male managers are higher than those of their female counterparts across the whole occupational spectrum – in 2006, they were around 16 per cent higher for women's professions and around 26 per cent higher for mixed professions. Thus, few women belong to the group of top earners (figure 7). Another observation of the German Institute for Economic Research (DIW), namely that female managers in the private sector **receive fewer gratifications, special bonuses, shares in the profits (premiums) and non-monetary benefits than men**, especially in times of economic downturn, is also highly significant. Women habitually receive much smaller amounts than men, according to recent figures they received an average of 4,756 euros which is only 50 per cent of what men receive in profit shares/premiums. Moreover, women more often than men work in smaller businesses which; particularly when the economic outlook is bleak, tend to pay smaller bonuses than those major companies can afford.

**Figure 7: Most Top Earners are Men**



Source: Destatis (2008b).

If women follow **a traditional trajectory, this is often associated with considerable losses in terms of earnings and career opportunities.**

Orientation towards non-traditional (male) professions substantially increases the earning potential. However, positive effects on the starting of families can only be realised if the reconciliation of career and family life is to become a pivotal issue for both women and men.

Family circumstances, however, have a much smaller impact on the earnings of women with an established position on the managerial level than they do for other women in salaried employment. **Married women in managerial positions, for instance, have higher average earnings than other women in comparable positions.** This finding of the DIW confirms previous research showing that these married women apparently form a highly selective group of extremely motivated employees who have found a way of dealing with the tasks and duties traditionally ascribed to women that enabled them to gain and maintain a managerial position in the first place.

**Children are an impediment to a woman's career**

## 2.1.2 Family-Related Employment Breaks and Reduction in Working Time/Gender Stereotypes (Complex of Origins II)

**Women are still in the majority when it comes to child-related employment breaks**

### Employment Breaks

In Germany there are still major differences between women and men when it comes to claiming parental leave (figure 8). While just fewer than 97 per cent of men do not interrupt their career following the birth of a child, this only applies to 6 per cent of women. Anyhow 50.6 per cent of women have taken a family-related employment break of between one and three years and 29.4 per cent have taken leave of up to one year.

**Figure 8: Child-Related Employment Breaks, 2006, in Per Cent**



Source: IW (2008b); SOEP.

**... and must accept a wage cut as the consequence**

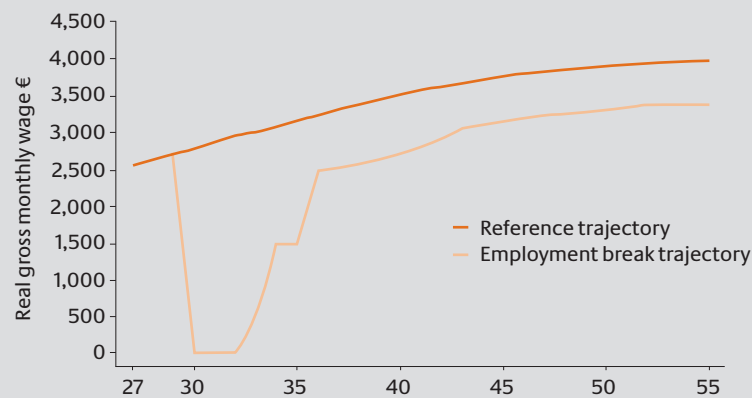
The impact of family-related employment breaks on the gender pay gap is obvious, yet the logical connection between the two is rather complex. The phenomenon of women returning to work after a family-related employment break and earning less than their former colleagues and less than they used to before taking leave, may from the company perspective be explained in terms of human capital effects. The German Business Institute concludes that recently acquired knowledge has a bigger impact on salary levels than personal knowledge generated several years ago. This is also being referred to as a **depreciation of human capital** which is reinforced by the lack of further training within the company during the period of leave. Based on data of the Socio-Economic Panel, the results of several studies show that a **family-related employment break involves a persistent wage penalty<sup>9</sup>, the extent of which depends on the timing, duration and organisation of the employment break.** In contrast, continuous full-time employment (model progression) is rewarded with a steady increase in salary from entry into until exit from the labour market – albeit at decreasing rates.

<sup>9</sup> The shadow price of own child care is thus not limited to the immediate loss of income during the child-related employment break. Costs termed Career Costs in fertility theory rather cover all the loss of income associated directly or indirectly with depreciation of existing human capital (or additional human capital given the neglect of education) during the time devoted to the family.

The simulation of the wage development of a female university graduate employed in the private sector shown in Figure 9 exemplifies the extent of wage losses:<sup>10</sup>

*After earning nothing in the three years of the employment break, the 33-year-old woman suffers a drastic **wage cut** (relation of leaving wage to re-entry wage); in the following years the monthly wage catches up considerably, culminating in the year of return to a full-time job of 40 hours per week (at the age of 36). Once the wage penalty for the earlier career break has fully expired, the employment break profile runs almost parallel to the profile of the reference woman. In other words, the wage difference to the reference woman will not be eliminated when she reaches the age of 55 and, given the progression of the trajectories, cannot be expected for the pre-retirement period starting now. Thus, the woman who returned to work cannot reach the salary level of the woman with no children anymore.*

**Figure 9: Salary Development of a Female University Graduate in the Private Sector**



Source: SOEP 1984–2005, own calculations

Sources: HWWI (2008)

Apart from the wage cut due to the loss of human capital, **a prolonged employment break also seems to have a signalling effect** with regard to a lower orientation towards employment. When companies consequently assume that women will be less motivated and less productive after their period of absence, thereby reducing their **chances of promotion**, this directly results in a wage cut. At the same time, it is possible that, faced with such a constellation, women's work motivation would in fact be reduced. This would in turn signal a lower productivity, and so on. In this context it is also possible that the prospect of child-related employment breaks alone could already lead to fewer career opportunities and loss of income for women without children.<sup>11</sup>

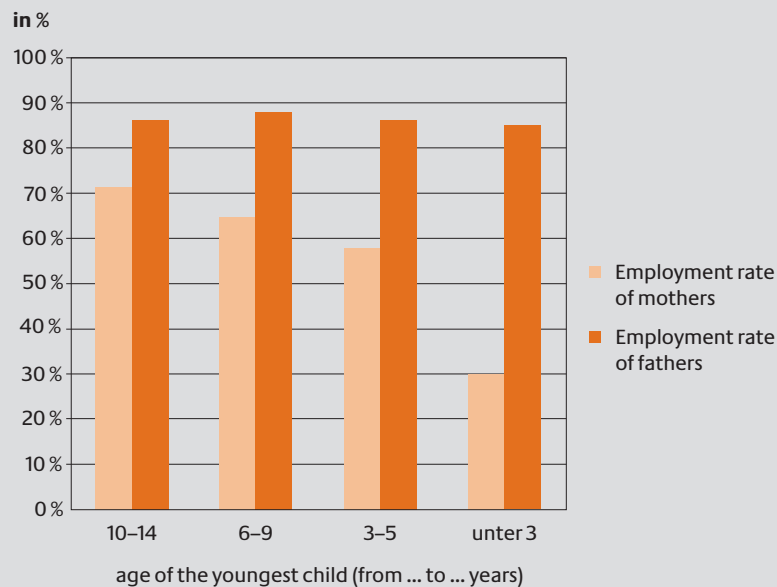
<sup>10</sup> HWWI (2008), HWWI Update (07/08): "Do child benefits have a slowing effect on the birth rate?"

<sup>11</sup> See also section II.2.2.1 on "The vicious circle of statistical discrimination", p. 29.

**Longer periods of family-related leave result in bigger cuts in wages**

In determining the size of the wage cut, **the duration of the period of leave** plays a crucial role. The longer the employment break is, the greater will be the (supposed) devaluation of human capital as a result of missed work experience and further training within the company. Studies show that an employment break of six months in the years 1984 to 1994 decreased wages by 9 per cent. If a woman decided to stay away from work for a further six months after her period of parental leave had ended, the wage penalty again increased by 15 per cent. Considering the fact that there is a total of 3.7 million non-employed mothers (children up to 14 years of age) in Germany and that 60 per cent of mothers do not return to work after their parental leave, the effect the duration of employment breaks has on the wage differential between women and men in Germany becomes clear (figure 10).

**Figure 10: Employment Rates of Mothers and Fathers by the Age of their Youngest Child in Germany, in Per Cent**



Source: Destatis (2008c).

**The longer the employment break, the smaller the chances of returning to the same kind of job**

In analysing wage losses caused by employment breaks we can differentiate between **short-term, mid-term and long-term wage effects**. Using SOEP data, the Hamburg Institute of International Economics (*Hamburgisches WeltWirtschaftsInstitut – HWWI*) shows in its analysis that the majority of women return to relatively similar jobs and are also paid similar hourly wages directly after the family-related employment break. Still, incomes decrease for 70 per cent of the women as a very large proportion of them returns to work on a part-time basis. In the medium to long-term these women pay a price for their break even if they returned to work quickly because their chances of promotion have been diminished.

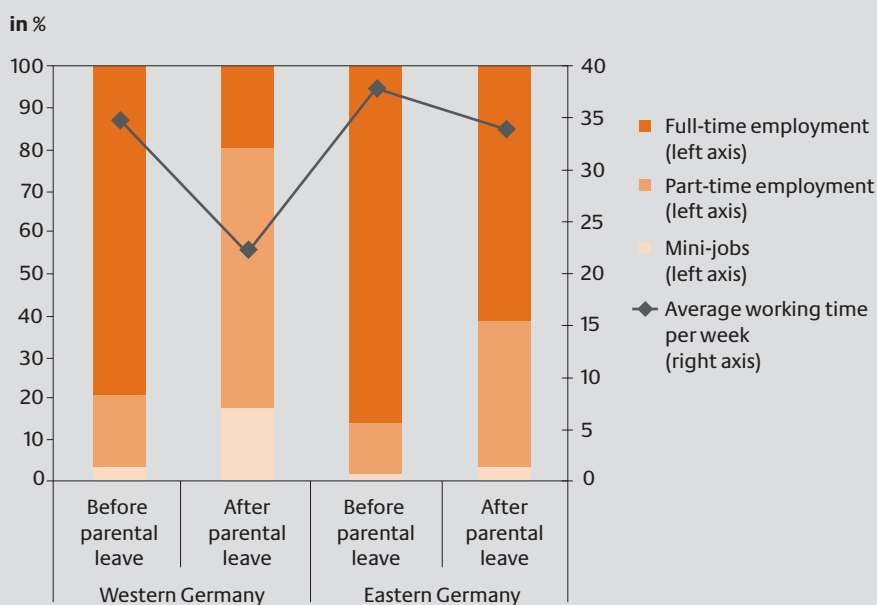
While around 75 per cent of women without children work in full-time employment, only 24 per cent work full-time after the birth of a child. The proportions of women engaged in part-time work or mini-jobs rise accordingly. Regarding men, however, a reverse trend can be identified. While around 85 per cent of men without children work in full-time employment, this proportion increases to around 97 per cent following the birth of a child.

The German Business Institute (IW) concludes that 28 per cent of women who have interrupted their career for one year or less return to full-time employment. This proportion falls by slightly more than 50 per cent for women who take an employment break of one to three years. For women leaving their job for more than three years, the proportion is further decreased to only 9 per cent.

The effects described above, however, sample out differently for Western and Eastern Germany. The data in figure 11 document the employment status of women before and after their employment break. What seems remarkable with regard to the data is that while before the employment break (i.e. before the birth of a child) 79 per cent of women in Western Germany were engaged in full-time jobs (35 hours or more per week), only 19 per cent returned to full-time employment after their employment break. Especially the significant rise in the proportion of part-time employees (15 to less than 35 hours) and women engaged in mini-jobs (less than 15 hours) demonstrates a change in the labour supply behaviour after an employment break

**In the new Laender more women return to full-time jobs after an employment break.**

**Figure 11: Women's Working Time before and after Parental Leave<sup>12</sup>,  
Data in Per Cent and Hours**



Source: Institute for Employment Research (IAB) 2002.

<sup>12</sup> Before and after the birth of the first child, 1992 to 1997.

... due to the better framework conditions

Eastern Germany shows a different picture. Here, **61 per cent of women returned to a full-time job after a family related employment break**. There are significant differences in terms of the provision of child day care facilities between Western and Eastern Germany. According to data of the Federal Statistical Office, 12.2 per cent of West German children under the age of three visited child day care facilities in 2008 while this proportion amounts to 42.4 per cent in the new federal states and to 40.5 per cent in Berlin. While in the new federal states nearly two thirds of the under three year-olds visit all-day facilities (more than 7 hours per day), in the western federal states this only applies to one third of the children in day care. The same applies to the proportion of all-day schools which is higher – if still not sufficiently high – in Eastern Germany. Given the differences in the supply of (all-day) childcare, it is hardly surprising that especially women in Western Germany are frequently unable to continue their job after an employment break investing as much time as before, even if they wish to do so. The consequences of this employment behaviour are then reflected in significant wage differentials.

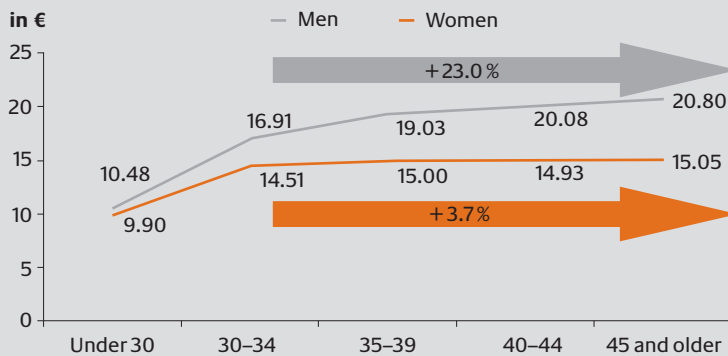
**Income prospects worsen with the duration of employment breaks:**

The negative effect grows with each additional year off. Against this background, what is referred to as **the timing and spacing of child-related employment breaks** can also play an important role. On the one hand, there is the incentive for highly qualified women wishing to have children to interrupt their career as early as possible in order to minimise the direct (immediate) loss of income (timing). On the other hand, however, the overall long-term losses of income appear to be smaller the later in their working lives women take parental leave (spacing).

Women stay with the same company for shorter time periods

As they rarely take parental leave, male employees often have longer periods of service in their companies, even though they tend to enter professional life later than women do. As a long period of service in the same company signals a higher degree of enterprise-specific knowledge, the German Business Institute's study concludes that **the duration of service in a company (seniority) has an impact on the (expected) wage increases** and thus also on the pay gap. Given men's longer (average) periods of service, the missing years of service resulting from parental leave have a lasting effect on the gender pay gap. In statistical terms, the effects of the different patterns of parental leave in Germany discussed above translate into significant differences in the development of the gross hourly wage for women and men over the life course. While men can achieve significant increases in their income (+ 23 per cent) once they reach the age of 30, the gross hourly wage for women over 30 stagnates.

Figure 12: Average Gross Earnings of Women and Men by Age Group



Source: Destatis (2008b).

New results of an (as yet unpublished) study by the Hans Böckler Foundation on male and female labour market entrants confirm these findings.<sup>13</sup> It demonstrates that even among entrants to the labour market women's pay already lags behind that of men with the gap **steadily widening over the course of subsequent years**. Women with up to three years' of work experience earn 18.6 per cent less than their male colleagues. In the group of those with 4 to 10 years of work experience, the difference increases to 21.8 per cent (Figure 13). In terms of the employees' age, women aged 24 or below earn 6.9 per cent less than their male colleagues of the same age; at 23.8 per cent the gap is widest between women and men aged 46 or above. In a European comparison with seven other countries, a gender pay gap of 17.3 per cent during the first three working years places Germany in the upper third. The extent of the pay gap between male and female entrants to the labour market ranges from 9.4 per cent in Belgium and 9.8 per cent in Denmark to 26.0 per cent in Poland and 30.4 per cent in Spain.

**The pay gap widens with age and professional experience**

Figure 13: Income of Entrants to the Labour Market by Work Experience



Source: Hans Böckler Foundation (2008).

13 Hans-Böckler-Stiftung (2008), project on "Geschlechtsspezifische Lohndifferenzen nach dem Berufsstart und in der ersten Berufsphase – Eine Analyse von Einkommensdaten auf Basis der WSI-Lohnspiegel-Datenbank in Deutschland und im internationalen Vergleich", unpublished. Commissioned by the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth.

### Women work shorter hours after family-related employment breaks

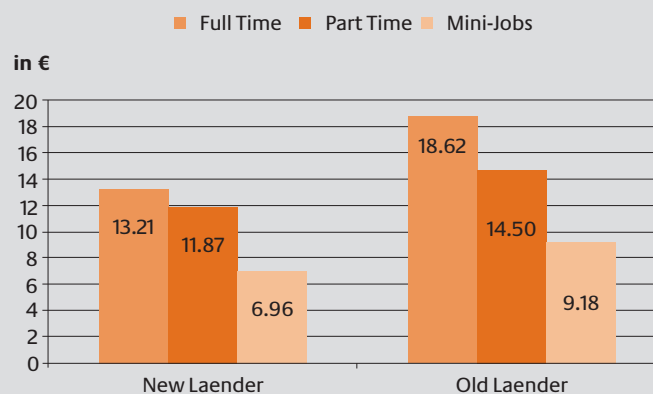
#### Working Time Reductions

The different working time of women and men is a **direct and indirect determinant of the gender pay gap**.

As discussed above, with increasing age and work experience, parental leave and the following reduction of working hours have a negative effect on women's income profile. It has become obvious that taking up part-time work or a mini-job has a long-term negative effect on earnings as companies assume that during part-time work or mini-jobs **less enterprise-specific practical know-how** will be gained. For women in part-time employment the income prospects deteriorate and access to the career ladder supposedly becomes more difficult.

Moreover, switching from full-time to part-time employment is often associated with a loss of professional status. According to the German Business Institute's study, 25 per cent of women changing from full-time to part-time work have to accept a downgrading with regard to the professional qualifications required for the respective job.

Figure 14: Full-Time Employees with the Highest Hourly Earnings



Source: Destatis (2008a).

A further aggravating factor is that women take up part-time work most frequently between 35 and 44 – the period during which the higher rungs of the career ladder typically are reached – whereas men tend to be employed part-time at the beginning or end of their working lives. Ultimately these effects lead to a one-sided income disadvantage for women which can explain a significant proportion of the gender pay gap.

### 2.1.3 Wage-Setting (Complex of Origins III)

A closer look at the official statistics reveals that the **wage differential varies across the different sectors of the economy**. At the same time, the pay gap between women and men varies considerably across different professions. Thus, a female insurance broker receives, for instance, only 68 per cent of what her male counterparts earn while a female bank



clerk receives 75 per cent and a female electrical engineer 90 per cent. Currently there is no clear explanation of why these differences occur or information on how wide the pay gap is in **public administration**. New data and analyses from the Federal Statistical Office in 2009 (the “**Wage Differentials between Men and Women**” project) should give us a clearer understanding.

As academic studies, practical experience, and, not least of all, rulings of the European Court of Justice and German labour courts have demonstrated, regulations for setting wages and their application can underrate the value of women’s work. Such **undervaluation is often the result of prejudices and gender stereotypes regarding the lower value of “female occupations”**. This is exemplified in the widespread notion that physically demanding work typically characterises male-dominated blue-collar occupations. In salaried professions dominated by women, such as nursing the elderly for instance, the aspect of physical strain is often simply ignored. In a similar vein, responsibility for machines, financial resources and members of staff is often evaluated and rewarded whereas responsibility for human beings in the context of social occupations like nursing or education or for the success of social processes is not.

The evaluation of work is an expression of the appreciation which society has for certain activities. Different evaluations must not necessarily be discriminatory but can indeed be justified. Each case must be examined individually in order to assess whether discrimination is taking place. Wage discrimination can happen either directly or indirectly. **Direct discrimination** based on gender takes place when earnings differentials are justified by reference to the employee’s sex. **Indirect discrimination** is much more difficult to detect because it frequently hides behind seemingly gender-neutral rules and regulations, sets of criteria and procedures which in their actual effect disadvantage women in terms of wages and salaries. Whether such inequality of treatment is deliberate and intentional is irrelevant.

Unequal evaluations of work of equal value can occur on various levels and is basically the **result of society’s moral concepts reflected in structures like collective bargaining agreements as well as in individual wage negotiations**. In this context the weaker bargaining position of women but also of the trade unions involved, job evaluation methods as well as wage negotiations involving hidden wage elements such as special bonuses and allowances play an important role. The different levels of job evaluation, of collective wage setting and the problem of wage negotiations will be discussed separately in the following.

**Conflicting opinions about women's work are to be found everywhere**

### **Job Evaluation and Collective Wage Setting**

The criteria generally used in job evaluation include, for example, skills and abilities, responsibility and physical strain. As a rule, it is the position which is evaluated and not the person occupying it. Thus what is decisive is not what sort of qualifications, for instance a secretary, might possess but what kind of qualification is required for the job. Job evaluation is thus an instrument for **establishing the equal value of "women's work" and "men's work"**. Without job evaluation the value of different occupations cannot be assessed and compared. The EU has set legal prescriptions for the non-discriminatory evaluation of work:

- | The results of the job evaluation must be **verifiable and comprehensible**. Transparency is demanded.
- | Work must be evaluated and remunerated "according to its character", i.e. **the type of activity performed must be considered objectively**.
- | The occupations of women and men must be evaluated according to the **same criteria**.
- | The individual evaluation criteria must be **interpreted in a non-discriminatory manner, applied in a non-discriminatory manner and weighted in a non-discriminatory manner**.
- | The **overall evaluation system** must be non-discriminatory.

**Work evaluation methods are in need of reform**

The methods of work evaluation presently used do not always meet these requirements. **Summary methods of job evaluation** have to be regarded as particularly conducive to indirect discrimination. In summary evaluations the weight of individual evaluation criteria within the overall system does not become apparent because they are evaluated across-the-board or given an "in sum" assessment. In contrast, **analytical methods of work evaluation** analyse and assess the individual criteria separately so that the relative importance of criteria such as qualification requirements or responsibility becomes transparent.

**Even the job classification system for the public sector (TVöD) has a potential for discrimination**

In nearly all sectors, including public administration, the existence of covert differences in evaluation cannot be ruled out. Thus, female-dominated occupations such as child care, nursing the elderly or library services are often given a lower classification than occupations in the technical sector. Another contentious issue is the inclusion of **special allowances, gratifications, occupational pensions, in-kind benefits** (such as use of a company car) and performance-related or incentive bonuses in addition to the basic rate of pay.

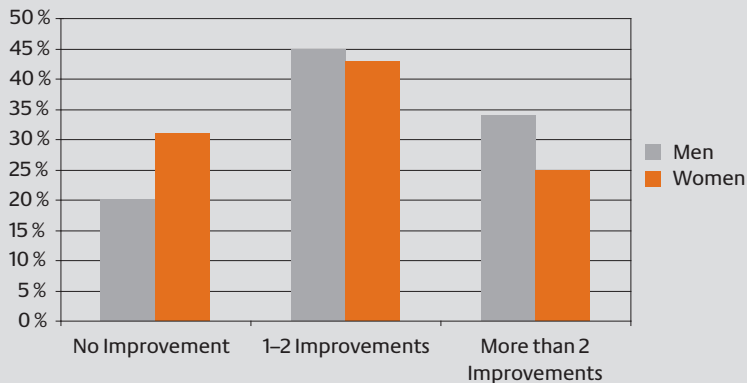
**Women's weaker bargaining position, ...**

### **Individual Pay Negotiations/Wages on Return to Work**

At the same time the different bargaining skills and strategies of women and men also influence the amount of pay they receive and thus impact on the pay gap among employees not covered by collective agreements. Research by Martina Vogt and Andrea Ruppert shows that nearly one third of the women surveyed had not received a wage increase over the

past five years whereas the same only applied to one fifth of the men included in the survey. The findings are even more distinct with regard to promotions to a better position. 5.7 per cent of all respondents had made more than two moves up the career ladder; yet again the proportion of men in managerial positions was one third higher than that of women. **Thus men are more successful both in terms of promotion and of wage increases.**

Figure 15: Number of Wage Increases for Women and Men over Five Years



Source: Ruppert/Voigt (2009).

At 59.1 per cent, the quota of women asking for a wage increase and/or a better position in the past five years is nearly as high as that of men (61.7 per cent). Still, a remarkable **22.2 per cent accepted the status quo**, with gender-specific differences not being particularly conspicuous. However, in comparative terms men less often have to make the first move as their bosses tend to raise the issue slightly more frequently. A similar tendency can be observed when the actual outcome of negotiations is considered. **Men very clearly enjoyed bigger successes.** While over two thirds of women had to settle for minor wage increases of between one and ten per cent, their male colleagues could claim much bigger gains. Half of them were able to realise a wage increase of over 10 per cent while the respective quota of women amounts to just over 30 per cent. These few findings alone demonstrate the influence of negotiations on the different career development of women and men in managerial positions. If in addition we consider the impact of the interlinking factors:

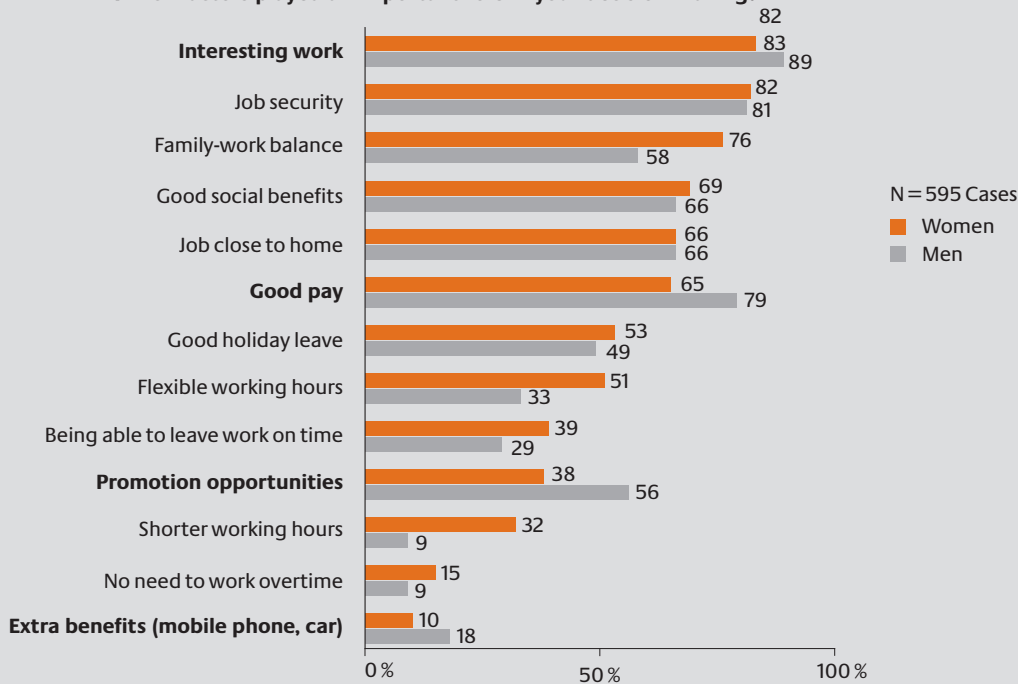
- ! women are asked less frequently,
- ! the intervals between wage increases and promotions are longer for women,
- ! women less often achieve both a wage increase and promotion at the same time
- ! women much less often receive wage increases of over 10 per cent, and the repercussions these can have for the next career moves, these can indeed provide a very plausible explanation for the marked divergence in the career paths of women and men.

... the inclusion of  
framework conditions  
for reconciling family  
needs and work into  
negotiations ...

The latest sensor surveys by Sinus Sociovision within the framework of strategic consultancy show similar results.<sup>14</sup> During **wage negotiations**, **women with families** display less rigour than their own partner (even though they expect him to show a high level of determination), their male colleagues and women without families. For women with small children and women returning to work, **balancing the needs of family and working life** is of major importance – and in most cases **more important than pay**. Women associate a higher salary with “unconditional” commitment to the company, both emotionally and factually. Such dedication, however, would mean that they risk losing the balance – both for themselves and their families. As **women with families** – and especially with small children – regard a good work-life balance as a priority, they (partly instinctively, partly tactically) often show **no particular wish for a higher salary** during job interviews and discussions with their colleagues. Thus they avoid putting themselves under **extra social and performance-related pressure** (vis-à-vis their colleagues and employer) in addition to the pressures and challenges of raising children which they already face and which are numerous and unforeseeable given the particular development stage of their children. For many women, and especially for those who have just returned to work, the wish to achieve “only” a moderate salary is a form of “responsible self-protection” to avoid placing themselves and their families under too much pressure, and to minimise the risk of being rejected for the position. Thus they tend to negotiate for a “package” including family-friendly working conditions and salary (see figure 16).

<sup>14</sup> Sinus Sociovision (2008b), Qualitativer Sensor: “Zusammenhang von objektiver Entgeltungleichheit und den Einstellungen/Motiven bei Gehaltsverhandlungen”.

**Figure 16: Key Factors in Women's and Men's Job Choice**  
**For Women in Employment: "What made you choose your present job?**  
**Which factors played an important role in your decision-making?"**



Source: Sinus Sociovision (2009).

Women returning to the labour market after a family-related employment break **only notice after several years** that their lower starting salary has the effect of diminishing **subsequent salary increases** in comparison to colleagues with higher earnings. **The stereotype of the "supplementary wage earner"** thus has a self-reinforcing effect while tax bracket 5 constitutes another disincentive. In this role women feel **obliged to pay more attention to non-monetary benefits** than to higher earnings. For the partner this means in reverse that he feels both obliged and pressured to negotiate for as high a salary as possible. Thus the traditional distribution of roles is reinforced and consolidated. Most women regard this **vicious circle** as a long-standing phenomenon and accept it as a normal part of their lives. Many modern women, however, view it as unfair and detrimental.

These findings are confirmed by the German Business Institute's study which at the same time stresses the different motivations of women and men. In comparison to men, women are **less extrinsically and more intrinsically motivated**. Across countries, it was found that women are on average less interested in financial rewards and tend to value interesting work, good vocational training opportunities, and a relaxed working climate with good relations to their bosses and colleagues more than men do. Moreover, women display a higher overall job satisfaction than men, which can be explained with the fact that they tend to consider their expectations regarding various aspects of working life to be met more often than men do (despite their lower average pay).

**... and different levels of motivation all cause differentials in wages.**

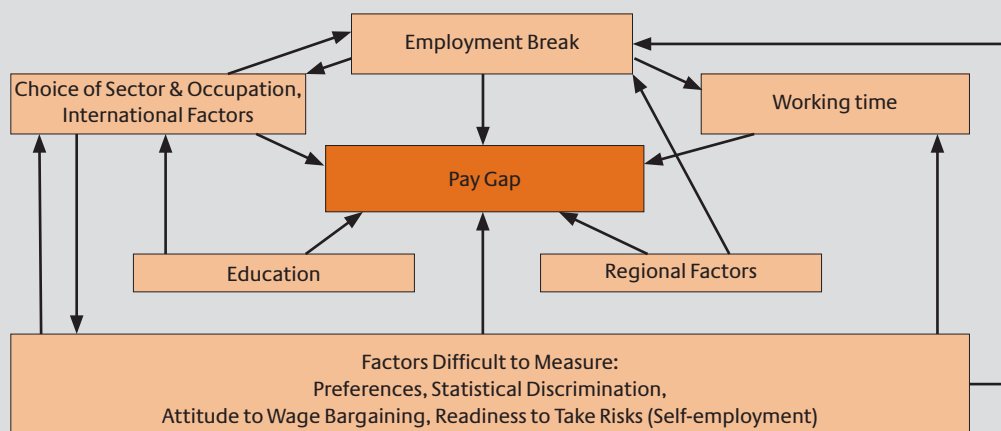
## 2.2 General Findings

### 2.2.1 Interdependencies between the Origins of Pay Inequality

**The key origins are mutually dependent**

Between the individual factors making up the three complexes of origins, different interdependencies can be identified. The study by the German Business Institute regards factors like working time, employment breaks, choice of sector and occupation, educational status, regional influences and other factors which are difficult to measure to influence one another in a complex way (see figure 17).

**Figure 17: Determinants of the Pay Gap – Interdependencies**



Source: With reference to IW (2008a).

As discussed above, **family-related employment breaks**, in complex chains of cause and effect with other determinants of the gender pay gap, lead to a reduction of **working time**, e.g. the switch from full-time to part-time employment after the return to work. In this context, factors which are difficult to measure, such as women's preferences, also play a role. Given this fact one can assume that women tend to choose those sectors which offer better conditions for the reconciliation of family and working life.

The reconciliation of family and working life also plays a major role when it comes to women's choice of occupation. In this context, women partly appear to accept the prospects of only modest wage increases. Further observations suggest that wage penalties due to parental leave depend on the occupation the woman worked in before and after the employment break. The depreciation rates of know-how are substantially lower in female-dominated occupations than in those occupations dominated by men, particularly in low-qualified jobs. To a certain extent this effect can also be observed in highly qualified professions. This finding supports the **self-selection hypothesis** according to which women deliberately choose occupations in which income losses due to employment breaks are low. Another

explanation is that following the birth of child women tends to occupy **positions in working life that can be easily combined with the needs of the family** and that they are ready to accept the associated wage cuts.

Looking at the **regions (Western/Eastern Germany)**, different conditions in terms of child care facilities as well as different perceptions regarding gender roles impact on the size of the wage gap. In some cases the **unemployment rate at district level** has also been included in the analyses as a regional characteristic. The German Institute for Economic Research has shown that the wage bargaining behaviour of women in particular is influenced by the extent of unemployment in the respective regions.<sup>15</sup> The argument is that in times of high unemployment especially women retreat from the labour market into the hidden reserve in larger numbers. As this obviously applies with a higher probability to women in the low pay sector, relatively more women with good pay remain in the labour market, causing the pay gap to narrow. In addition, a high regional unemployment rate reduces pressure on employers to raise wages as bargaining power on the employees' side is reduced. On the other hand, women in **metropolitan areas** enjoy better labour market conditions. Thus major companies in the service sector in particular offer highly qualified women in metropolitan areas much better employment prospects. Moreover, such areas are evidently characterised by a better average qualification structure for women as well as by higher female labour market participation. These observable trends serve to emphasise women's difficult position in wage negotiations and their different preferences in comparison to men.

The IW findings show that **modern forms of corporate organisation** narrow the wage gap between women and men as active participation in decision-making processes, co-determination rights and group work enable all employees to express their concerns and requests. Likewise, the **implementation of equal opportunity programmes** and **continuous further training** for employees also narrow the wage gap as they counter-vail possible gender differences in the endowment with human capital. This is particularly evident when a large proportion of women take part in further training. Performance-oriented pay, however, cannot be assigned a levelling effect on women's and men's wages. The **age of a company** on the other hand does play a role in determining the gender pay gap. The fact that a company was founded after 1990 seems to contribute to a narrowing of the wage gap.

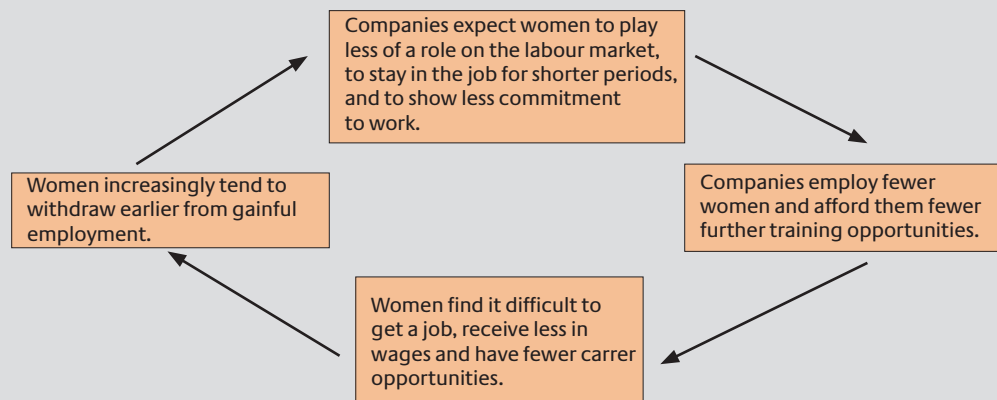
If all the findings discussed above are summarised, what is referred to as the **"vicious circle of statistical discrimination"** can provide an explanation of why women and men are still treated unequally even when they

**The vicious circle of discrimination**

<sup>15</sup> DIW (2008b), DIW-Wochenbericht 15/2008: "Verdienstunterschiede zwischen Frauen und Männern nur teilweise durch Strukturmerkmale zu erklären", pp. 184–190.

show no differences in terms of the measurable criteria presented. The “vicious circle” is based on the economic model of self-fulfilling expectations. According to this model, employers estimate the productivity of an employee, which they cannot assess precisely, by using (statistical) average expectations. As women in general are still taking parental leave followed by part-time employment much more frequently, employers assume that with any female employee an employment break or reduction of working time must be expected. Thus, heads of human resource departments generalise, and assume women to be less productive. As company-specific further training programmes would hardly pay dividends for women who are expected to be less productive, their chances of further training and promotion deteriorate due to this assumption even if in fact there is no discernible difference between them and their male colleagues. Women adapt their behaviour as a reaction to the discrimination they are confronted with. They withdraw from the labour market or put less effort into work. Companies’ expectations thus become basically self-fulfilling.

**Figure 18: The Vicious Circle of Statistical Discrimination**



Source: IW (2008a).

Thus it is possible that **women and men are treated differently even though they are identical in all observable criteria**. If companies presume women to interrupt their career, they might possibly invest less in their further training because its rate of return is reduced by a period of leave. They will tend to promote women less often in order to avoid having to fill vacancies in the foreseeable future. They will also include assumed losses in productivity resulting from a potential longer employment break in the wage setting, provided it is done on a long-term basis.

**If as a consequence of this process women believe their chances of success to be low, they possibly adapt their own behaviour accordingly.** Thus, they might invest less in their own education. Moreover, female employees might apply less often for positions in the higher echelons of the corporate hierarchy if they expect to be rejected anyway. In this way



women's reactions reinforce employers' assumptions about the differences between women and men and the "vicious circle" is perpetuated.

Statistical discrimination thus offers a possible explanation of women's underrepresentation in managerial positions, and their lower wages even before taking a child-related employment break. However, the inequality of treatment is not merely a result of gender stereotypes or prejudices, but also stems from the fact that employers are unable to precisely assess certain characteristics and thus have to rely on observed average values.

### 2.2.2 Assessing the Relative Weight of the Origins of Pay Inequality

To gain an understanding of how the phenomenon of pay inequality should be evaluated, the study of the German Business Institute reviewed the findings of several studies on the relative weight of the determinants of pay inequality. These studies, however, are all based on different sets of data.

The pay gap widens with the duration of the employment break or the taking up of part-time employment for family reasons. Studies show that the wage differential between women and men working in the same sector and the same occupation with the same educational attainment and the same working time amounts to **15 per cent. For women returning to work fairly soon after childbirth and with a high number of working hours, the pay gap is reduced to 6 per cent.** These so-called "motherhood penalties" resulting from family-related employment breaks can be further analysed in terms of levels, origins and determinant factors. Thus a wage **penalty amounting to 1.1 per cent for each subsequent child** has been calculated.<sup>16</sup>

In determining the wage penalty, the duration of the employment break plays a special role. The longer the period of leave, the greater becomes the devaluation of human capital as a result of missed work experience and (internal) further training measures. The effect of the duration of child-related employment breaks has, however, is not consistent in Germany. Between 1984 and 1994 a six month leave **resulted in a wage drop of around 9 per cent.** Once a woman decides to add **a further six months to her absence from work** following the period of statutory parental leave, the **wage penalty goes up by another 15 per cent.**<sup>17</sup>

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<sup>16</sup> IW (2008a).

<sup>17</sup> IW (2008a).

Finally, the effect of educational status has also been analysed. **Six percentage points of the pay gap can be explained by men's higher average educational level.** In this context, however, a comparison between the periods of 1984 to 1987 and 1994 to 1997 demonstrated that women have caught up in terms of their schooling and especially in terms of their professional experience.<sup>18</sup>

All in all, the findings allow us to conclude<sup>19</sup> that if the gender pay gap is decomposed into its different components, **a good third can be ascribed to gender-specific differences in structural factors such as education, work experience and the number of children.** The remaining part can be attributed to non-observed factors including various discriminatory mechanisms in the labour market and in society.

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<sup>18</sup> IW (2008a).

<sup>19</sup> DIW (2008b).



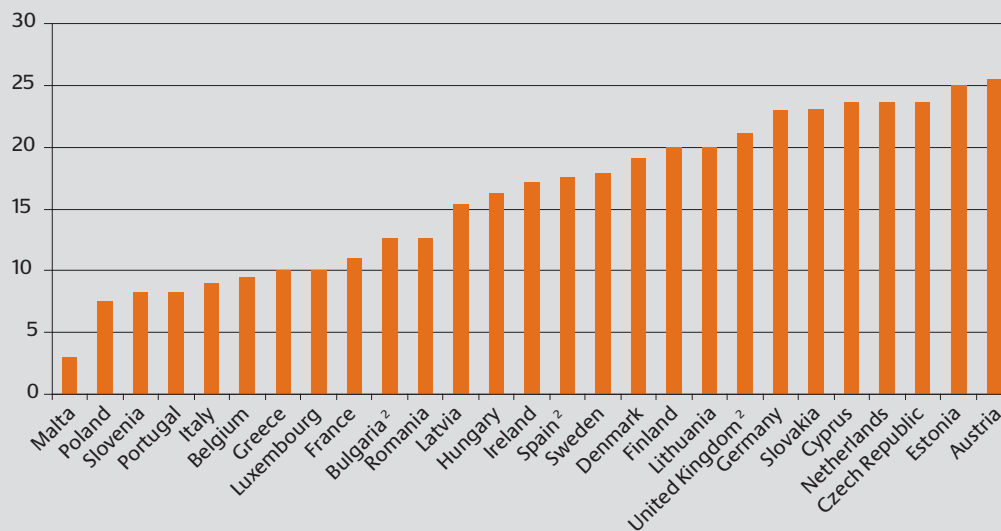
## Pay Inequality in European Comparison

### 3.1 Pay Inequality in European Comparison – Facts & Figures

In European (EU-27) comparison, Germany currently finds itself in the lower third. Occupying the **seventh rank from the bottom, it scores better than** Austria (25.5 per cent) and the Netherlands (23.6 per cent). Despite the Europe-wide improvement and harmonisation of indicators (removal of limits on age and working hours, and a harmonised definition of the area covered), direct comparison of the data remains problematic. Thus for instance Malta's impressively small pay gap (4 per cent) is put into perspective when the particularly low female employment rate, which lies below 40 per cent, is being considered.

**Germany has the seventh biggest pay gap in the European table**

**Figure 19: The Gender-Specific Pay Gap in European Comparison**



<sup>1</sup>Data from 2005 for Estonia and Italy (Eurostat, 2008); data from 2006 for Belgium and Denmark (both Eurostat, 2008); Finland, France, Greece and Malta (EU, 2008);

<sup>2</sup>provisional.

Source: Eurostat (2008), [www.eurostat.eu](http://www.eurostat.eu).

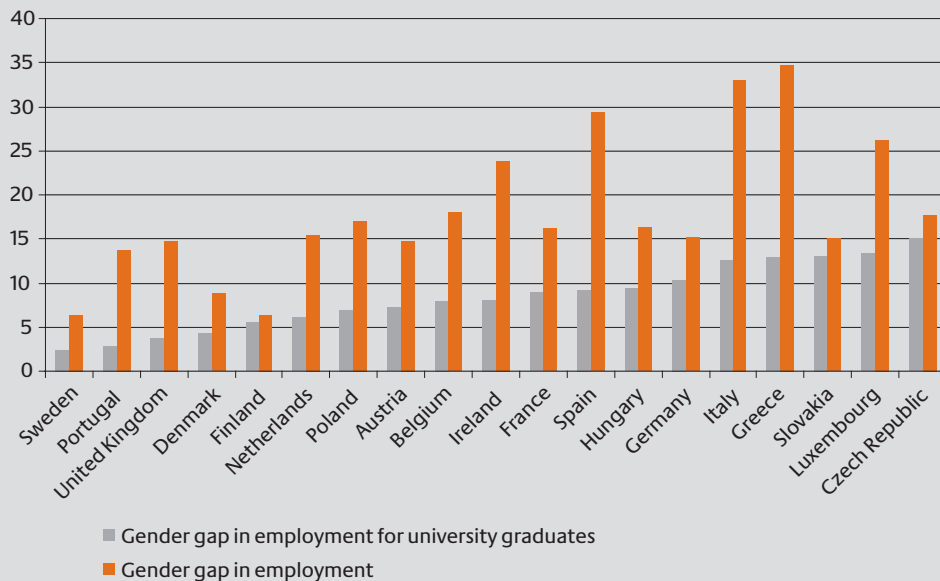
Looking at the comparative European data, a connection to the gender gap in employment (gap between the female and male employment rates) becomes apparent. The Eurostat data shows that the gender gap in

employment within the EU amounted to an average of 14.2 percentage points in 2007. At 10.7 percentage points Germany lies about 3.5 percentage points under this average value. Since the year 2000 the gender gap in employment has fallen by 4.2 percentage points.

In overall terms, the employment gap between women and men in Europe narrows with an increasing level of education. In relative terms, highly qualified women participate more often in the labour market. Figure 20 shows that in general highly qualified women play a more prominent role in the workforce across the member states. There are, however, marked differences between countries. Whereas, for example, the gender gap in employment in the highly qualified sector in Sweden adds up to only 2.4 percentage points, it amounts to 15.1 percentage points in the Czech Republic. In Germany, too, the employment gap within the highly qualified workforce is relatively high, while the employment gap across all levels of professional qualification is comparatively narrow. This finding suggests that in Germany highly qualified women in particular tend to leave work for family reasons more frequently than in other countries – with corresponding effects on pay inequality.

**Highly qualified women are underrepresented in terms of the EU comparison**

**Figure 20: Gender-Specific Differences in the Employment Rates of University Graduates, in Percentage Points<sup>20</sup>**



Source: IW (2008a); OECD (2008).

<sup>20</sup> Tertiary education type A and further research programmes; age group of 25 to 64 year olds; differences in the employment quotas of men and women with tertiary education expressed as percentage points of the employment quota of men with tertiary education.

## 3.2 Best Practice Examples from European Neighbours

Pay inequality is regarded as a major challenge in all EU countries. All member states embrace strategies which address the major causes and include a wide cast of actors. As the origins of the pay gap have to be weighted differently across the different countries, measures to counter it also receive different priorities from country to country. The Nordic countries for instance, where family-related employment breaks play a much smaller role in determining the gender pay gap, focus their efforts on overcoming sectoral segregation in the labour market.

In **Sweden** employers are legally bound by the Equal Opportunities Act to implement **active measures for the promotion of gender equality in the workplace**, and to conduct an **annual review of women's and men's wages and salaries**, which must be published. Should these not be in conformity with the law, a fine can be imposed. Compliance with the regulations is monitored by the government organisation JämO.

In **Finland** there are equal pay allowances in **agreements on wages and salaries between collective bargaining partners in the public and private sector**. These allowances – an additional wage increase on the sectoral level which benefits women and low paid workers – were introduced in 1989 across all sectors. They created a mechanism to increase remuneration in sectors with a high proportion of female and low paid workers which is guaranteed by the system of collective bargaining. Its aim is to improve the status of women and low paid workers. The amount of the allowance is calculated on the basis of the proportion of women among the low paid workers in each sector. Thus the amount of funding available depends on the proportion of women and low paid workers in the respective sector, meaning that those sectors employing many low paid female workers have to provide more funding than others. The **gender equality allowance** only applies when the collective bargaining partners conclude a respective agreement on the sectoral level. If no such agreement is concluded, the money is distributed as a general wage increase.

In 2005, **France** introduced the **Law on Equal Pay between Men and Women. Based on pay negotiations in different sectors and companies and using precisely defined indicators** the situation will be analysed over the next five years on the basis of this law. The French social partners are obliged to actively include the issue of equal pay into collective negotiations. One special innovation is the introduction of sanctions for those companies which fail to meet their obligations.

**Switzerland** is taking a different route. It introduced the **Logib** instrument for pay equality which is a voluntary instrument companies can use for the internal self-review and to implement changes to their wages and salaries policies, should these prove necessary. An incentive to encourage companies to make use of this instrument is created by the fact that in Switzerland public procurement is only open to companies which have adopted a policy of equal pay. The evaluation of the data supplied by companies is performed by the Federal Office for Gender Equality (*Eidgenössisches Büro für die Gleichstellung von Frau und Mann – EGB*) on the basis of samples. The analytical method used has been developed by BASS (Office for Labour Market and Socio-Political Research).

### 3.3 EU Strategies for Equal Pay

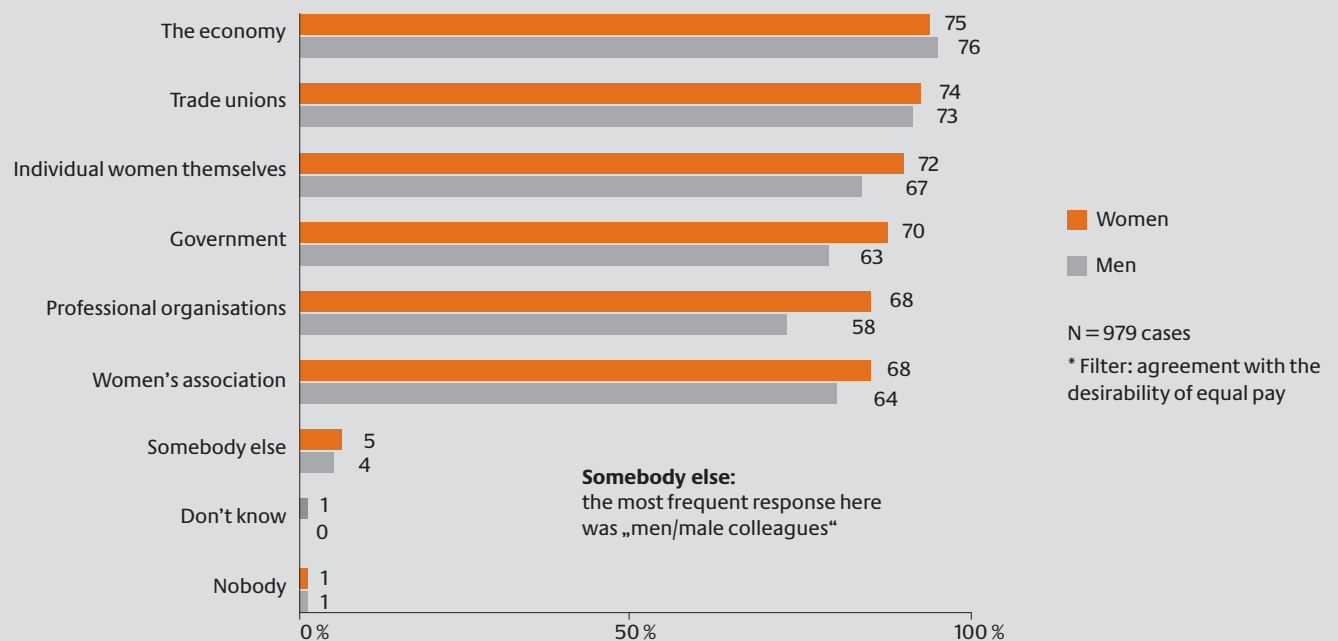
The **European Commission's** 2006–2010 Roadmap for Equality between Women and Men devotes special attention to the gender pay gap. In its communication published on 18 July 2007 the Commission actively took up the issue, **called on all partners involved to come together in joint action**, urged all Member States to make pay equality a precondition for taking part in public procurement procedures and announced its intention of preparing a legislative proposal by the end of 2009. In this context, an EU-level working group has already been established to address issues such as fighting the causes of the pay gap, promoting the exchange of best practices throughout Europe and including the social partners.

Recent proposals presented to the Commission include a request to present an analysis and specific proposals on the issue of equal pay and to develop European goals and objectives for the reduction of the pay gap (Report of 28 November 2008, Rapporteur: Edit Bauer, including proposals to the Commission for the application of the principle of equal pay for women and men[2008/2012(INI)]).

## IV. Policies to Overcome Pay Inequality in Germany

As equality of pay is a **key indicator of equality between women and men; overcoming pay inequality** is a central concern of gender equality policy. The analyses discussed above have demonstrated that its systematic origins are manifold and related to one another in a complex way. With regard to overcoming the different origins of pay inequality, the actors involved have different capacities. Thus, in order to make progress, all individual measures must be brought together in a **strategic alliance**. In accordance with the EU Commission, the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth embraces a **strategy for combating pay inequality which addresses its major causes**. The co-operation of all partners, i.e. political actors, social partners, employers, female employees and industry associations is crucial in this respect.

**Figure 21: Government and business Must Join Forces**  
 “Who do you now think should make the next move to really establish equal pay for equal work for women and men in everyday working life?”\*



Source: Sinus Sociovision (2009).

Overall, policies to reduce or eliminate pay inequality either focus exclusively on one specific lever to close the wage gap or foster change across multiple policy fields. At the same time, the integration of the individual gender equality goals of the Federal Government into one coherent political strategy can promote an understanding of the positive effects and the need for gender equality policy.

### Measures to reduce Family-Related Employment Breaks and Reductions in Working Time

**Complex of Origins II:**  
The Federal Government is improving framework conditions for the reconciliation of family and working life

For Germany the **second complex of origins – family related employment breaks and reductions in working time** – is of special significance. One major task in this context is to create favourable framework conditions supporting mothers and fathers in reconciling the needs of family and working life. Over the past few years, the Federal Government, with its family and gender equality policies, has taken very decisive action in this respect. The extension of day care facilities for children – in particular for the under three-year-olds – improved tax deductibility for child-care costs, the parental benefit as a compensation for wage losses and its ‘partner months’ are all measures which facilitate the reconciliation of family and working life for women and men and which support the equitable distribution of child-care duties between them. Better reconciliation of the needs of family and work facilitates continuous employment for women generating enough income to secure a living. Women’s family-related employment breaks are becoming shorter, women’s and men’s biographies converge. Employers’ expectations and stereotypes regarding the roles of mothers and fathers are changing, even though part-time employment still remains a typical women’s issue in Germany. These are all important steps in addressing one of main causes of the wage gap. A comparison with other countries clearly shows that in countries with a high female employment rate and a good infrastructure supporting the reconciliation of family and working life, the average wage differential between women and men is low.

More than any other statutory benefit, the **parental benefit** (*Elterngeld*) introduced on 1 January 2007, strongly supports families in the first year after the birth of a child and thus facilitates a good start into this important phase of life. For most parents the parental benefit has a stabilising effect on household income. In combination with the child benefit (*Kinder-geld*), it compensates for an average 86 per cent of the pre-birth income of young mothers. Thus the parental benefit enables young families to organise their lives flexibly – taking into account the needs of parents and child. At the same time it signals that it is perfectly all right to return to work after a year of parental leave. The new **parental benefit with its partner months** thus contributes to reshaping expectations regarding the roles of mothers and fathers and to the convergence of women’s and



men's employment behaviour. This is strikingly revealed by the fact that already in 16 per cent of all households receiving the parental benefit, **the fathers are claiming it.**

One particularly important component for facilitating continuous employment for mothers and fathers is the **continued expansion of child-care facilities.** The Child-Care Expansion Act (*Kinderförderungsgesetz – KiföG*) that came into force on 26 September 2008 accelerates the expansion of high quality childcare services, providing parents with genuine choices and sparing them the dilemma of choosing between children and career. With the introduction of a legal claim to publicly funded child-care for all children from the age of one, which is planned to come into effect on 1 August 2013, high quality, secure child-care services will be made available to one third of small children and their parents. This sets crucial framework conditions for a new generation of well qualified women and the increasing numbers of active fathers.

Another concrete next step is the action programme “**Perspective Re-entry**” (**Perspektive Wiedereinstieg**). It supports women who have interrupted their career for several years for family reasons and who now wish to return to the labour market. The broad-based initiative organised in co-operation with the Federal Employment Agency assists institutions at the local level in establishing support networks for women wishing to return to work, and in enabling a professionally qualified return to work after a family-related employment break. The core element of the action programme is a scheme financed by the European Social Fund (ESF) with an overall volume of approx. 30 million euros. In early March 2009, its 17 pilot locations have been announced. Nearly all of them will also have a focus on the husbands or partners of the women returning to work. This is done against the background that, as a recent survey by Sinus has demonstrated, over 50 per cent of the men would be prepared to work shorter hours themselves for the benefit of their wives returning to work. However, currently only 7 per cent of women returning to work report that their partners have been able to realise their good intentions. Since March 2009 a specific website has been providing women wishing to re-enter the labour market with better access to the range of specific support measures open to them.

The strategic aim of the programme is to connect and promote the individual objectives of the Federal Government with regard to equal opportunities for women in working life. It contributes to

- the independent financial and social security of women,
- meeting employers' needs for qualified personnel,
- changing traditional gender stereotypes and overcoming the stereotypical distribution of responsibilities within families, as well as to
- the long-term reduction of gender-specific wage differentials.

Yet another new proposition of the Federal Government is to promote the change of mini-jobs into employment subject to social insurance contributions. Only with the promotion of socially secured employment are women able to catch up to men's wage levels and to improve their financial situation.

### Measures Tackling Horizontal and Vertical Segregation

**Complex of Origins I:**  
The Federal Government contributes to broadening the range of occupational choices

Due to the interdependencies between the three groups of origins sketched above, overcoming **gender stereotypes** also plays a crucial role in tackling the **complex of origins** (vertical and horizontal segregation). Both the choice of specific occupations or sectors and career preferences and opportunities are shaped by traditional notions of gender roles. Consequently, the Federal Government's equal opportunities policy is making a major contribution to broadening the choice of occupations and careers of both women and men, as well as to improving their overall professional opportunities.

Programmes implemented by the Federal Government in co-operation with various partners such as

! the "Girls' Day",

! "Komm, mach MINT"

encourage girls and young women to opt for professions which are commonly regarded as "untypical" for women and which they might have given only little consideration so far, in order to broaden the range of their occupational choices. On Girls' Day, which is held annually and nation-wide, girls of grades 5–10 (aged between 11 to 16) have the chance to visit companies and institutions where they can get a hands-on impression of future-oriented jobs e.g. in the natural sciences and technology. The "Komm, mach MINT" programme is an initiative launched by the Federal Ministry of Education and Research (BMBF) in 2008 in co-operation with partners from science and research. It aims to attract much greater numbers of young women to well-paid jobs in the **MINT sector** (**M**athematics, **I**nformatics, **N**atural Sciences and **T**echnology). At the same time, the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) has also turned its attention to the career choices and life-planning of boys and men. Thus in 2005 it has launched the national programme "**New Paths for Boys**" (*Neue Wege für Jungs*).

**The Federal Government supports women's careers**

In addition, the Federal Government also funds initiatives aimed at improving women's career opportunities, e.g. the website **www.frauenmachenkarriere.de**. It offers comprehensive information for women wishing to develop their career or to start a business. Women receive information on the reconciliation of work and family life, legal issues and professional networks and are thus put in touch with competent and experienced contact persons. Apart from establishing a systematic moni-

toring instrument for the issue of women in managerial positions within the framework of the Institute for **Employment Research's Enterprise Panel** (*IAB-Betriebspanel*), the Federal Government also funds the establishment of a **national Business Start-up Agency for Women** (*Gründerinnenagentur – bga*) which is supposed to inform and support female entrepreneurs across all sectors and in all phases of the business start-up.

One new project aims to encourage companies to adopt a policy of appointing more women to leadership positions through regulations of the German Commercial Code (*Handelsgesetzbuch – HGB*). Currently the Federal Government is reviewing possibilities to extend companies' reporting obligations within the framework of the German Commercial Code (section 289 HGB). At the same time the **German Code of Corporate Governance** can become a highly effective instrument for the equal representation of women in managerial positions and contribute to closing the wage gap. The precondition for this is the introduction of regulations which establish, for example, the proportion of women in supervisory and executive boards as an indicator of good corporate governance.

### Measures Promoting Transparency and Fair Wage-Setting

**Complex of Origins III** (transparency and wage cost structure) is mainly concerned with how wages and salaries are determined and set. With the exception of public administration, the Federal Government has no possibility of direct intervention into the process of wage formation which is largely a matter of the **collective bargaining partners**, individual employers and employees as well as works councils and employees' committees. In concrete terms, Complex of Origins III deals with the issue of job evaluation within collective agreements and wage negotiations.

**Complex of Origins III:** Responsibility of the collective bargaining partners, the Federal Government provides information and support

One valuable instrument to support the social partners and all other actors involved in the wage negotiation process is the manual "**Fair P(l)ay – Equality of Pay for Women and Men**". Published by the BMFSFJ in 2007, it aims to facilitate the practical application of the "principle of equal pay for equal work and work of equal value". The manual particularly recommends the use of more transparent and less discriminatory (analytical) methods of work evaluation within collective agreements in order to avoid the perpetuation of stereotypical forms of poorer pay. With regard to individual wage negotiations, the EU-funded **Women's Wage Index** (*Frauenlohnspiegel*) provides valuable orientation.

Even in **public administration** forms of hidden differences in evaluation cannot be ruled out. Thus female-dominated occupations such as child-care, care for the elderly and library services are classified into a lower category than technical occupations. There is a lack of women in top positions in the higher ranks of the federal administration where only

around 15 per cent of heads of department are women. The Federal Equal Opportunities Act (Bundesgleichstellungsgesetz – BGleig) aims at increasing the numbers of women in top positions of the federal administration and at improving the conditions for the reconciliation of family and working life. In spring 2009 a joint project of the BMFSFJ and the Federal Statistical Office will for the first time offer insights into the pay gap in the public sector.

**Promoting proactive attitudes in enterprise through self-testing and awareness-raising**

In order to provide companies with incentives to investigate their situation today with regard to equality and to improve it if necessary, the BMFSFJ is planning to adapt and reprogramme the Swiss Logib instrument (see section 3.2) for the use in Germany. **Logib** enables companies to conduct a voluntary self-test assessing in how far they have implemented pay equality. The basis of the calculation, which is done with the help of a statistical regression analysis, is data on the wages, qualifications, and the jobs of the entire workforce, both male and female. The self-test is designed to foster a proactive attitude within companies. Rather than developing a system of controls and sanctions, the aim is to convince companies to take action in favour of pay equality. Logib provides companies with an evaluation record, a summary of the results marked either in green or red and supplementary graphic illustrations. This makes Logib an instrument for a first test of a company's wage structure in terms of gender-specific wage differentials which requires relatively little time and effort. This first standardised review assessment can indicate whether there is a need for further action. It is planned to offer companies with a "red" result the assistance of consultancies and to conduct further analyses using criteria such as region, shift work, etc.

**Complementary and Overarching Measures**

Even though the legal situation has been unambiguous for a long time and women can bring cases of wage discrimination before the courts, new possibilities to enforce pay equality could arise in the context of the recent **reform of public procurement law**. In line with the EU procurement directives, additional, in particular social criteria which need to be met by the contractors may now be included in the procurement process. According to the explanatory memorandum of the law such criteria also encompass the compliance with pay equality. The draft law passed the lower house of the federal parliament on 5 December 2008 and was ratified by the upper house on 13 February 2009.

**Research programmes for broadening knowledge**

In addition, the Federal Government is currently funding a number of **research projects**. Thus, it contributes to the extension of knowledge about pay equality which can provide more specific suggestions regarding the need for action and different policy options. After the Earnings Statistics Act (*Verdienststatistikgesetz*) came into force on 1 January 2007, a wide-ranging package of research projects was launched in early 2008.

It includes the **“Earnings Differences between Women and Men” project**. On the initiative of and funded by the BMFSFJ, the Federal Statistical Office is currently conducting a project which uses the improved data basis brought about by the Earnings Statistics Act and aims to effectively improve the understanding of pay equality. First findings – focussing on the public sector – will be presented in spring 2009. Additional analyses which are supposed to provide further insights into causes of the pay gap and their relative weight will follow by the end of 2009. The **“Wage Index – Wage Differentials among Labour Market Entrants” project** explores whether gender-specific wage differentials exist among labour market entrants in spite of equal qualifications, and how they develop over the first years of professional life. This co-operation of the BMFSFJ with the Hans Böckler Foundation aims to increase the level of transparency for women. The findings of [www.frauenlohnspiegel.de](http://www.frauenlohnspiegel.de) on pay inequality among labour market entrants will be analyzed and publicized by the BMFSFJ for the use in individual wage negotiations. As long as women negotiate with a lack of determination information, there is no chance of closing the wage gap in all segments of the labour market not covered by collective agreements.

In the light of increasing public interest in the issue of equal pay, the **German Business Institute’s study on “The Gender Pay Gap – Indicators, Causes and Solutions”** aims to provide consolidated findings on the causes of pay inequality and their possible relative weight.

### **Co-operation with Partners**

With the package of measures it has launched to tackle all complexes of origins, the Federal Government has already taken important steps for **implementing pay equality**. However, it is still evident that the achievement of pay equality is a task for society as a whole which calls for the efforts not only of the federal government, but also of the collective bargaining partners, individual employers and female and male employees. Progress with regard to all complexes of origins discussed can only be made by integrating all individual measures for improving women’s income situation into a **future-oriented strategic alliance**. The Federal Government aims to bring together the various actors so that they can become active in the field where they can in fact bring about change. For several years the federal government has been making considerable efforts regarding the co-operation with strategic partners, which are now being targeted more precisely on the issue of pay equality.

**Strategic alliances are of central importance**

In 2001, an **agreement** on the promotion of equality of opportunity between women and men in the private sector was reached between the federal government and the leading confederations of Germany industry.

**The voluntary agreement**

The agreement calls on companies to put in place appropriate measures to:

- | improve women's prospects and opportunities with regard to vocational training and employment, and
- | facilitate the reconciliation of family and working life for women and girls,
- | increase the proportion of women in managerial positions and in future-oriented professions, and
- | contribute to a **narrowing of the pay gap** between women and men.

According to the agreement, the implementation of these measures, the progress made and the initiatives planned for the future must be assessed every two years. **The "3<sup>rd</sup> Assessment of Equality of Opportunity"** presented in 2008 shows that progress has been uneven across the different areas covered by the agreement. In two of the four areas progress has only been slight: Women continue to be clearly underrepresented at the managerial level and the pay gap between women and men in Germany is still wide in terms of an EU comparison.

Positive changes, however, have been recorded with regard to general education and vocational training. Over the past years, exceptionally large achievements have been made with regard to the reconciliation of family and working life, both in terms of government policies and in the co-operation with business.

### Increased collaboration with business

Business has long ago recognised that the promotion of equality of opportunity for women in working life lies in its own best interests. For several years, a very successful co-operation has thus been established within the company programme "**Success Factor Family**" which essentially aims at **facilitating the reconciliation of family and working life** (Complex of Origins II). However, against the background of the presumed future lack of employees qualified for managerial and specialist positions it has been increasingly realised that it is no less important for business to increase the proportion of women in managerial positions and in future-oriented professions (Complex of Origins I). Examples of partnerships already established include the Girls' Day programme or the MINT initiative as well as the TOTAL-E-QUALITY award and the "Generation CEO" initiative.

In 2008, the Confederation of German Employers' Associations (*Bundesvereinigung der Deutschen Arbeitgeberverbände* – BDA) presented a position paper on pay inequality. At a **joint conference on "Tackling the Causes of the Wage Gap"** held on 30 September 2008 by the BDA and the **BMFSFJ** 90 experts from politics, business and research endorsed the common goal of eliminating the wage gap by addressing its major causes.

On 15 April 2008, the Business and Professional Women (BPW) association organised the first **Equal Pay Day** in Germany. The campaign, which was endorsed by the National Council of Women (Deutscher Frauenrat) and numerous women's associations, also received financial, conceptual and research support provided by the BMFSFJ. Its aim was to disseminate information on the gender pay gap and to encourage women to take the initiative and address the issue of unequal pay in a more proactive way. The second Equal Pay Day – to be held on **20 March 2009** – is organised by a **National Action Alliance for Pay Equality**. The main aim of the alliance is to mobilise all the actors involved and to raise awareness among them. It includes the **National Working Group of Local Government Officers for Equal Opportunities** (*Bundesarbeitsgemeinschaft Kommunaler Gleichstellungsbeauftragter – BAG*), **BPW acting as the co-ordinator, the Confederation of German Employers' Associations, the National Council of Women and the Association of Female Entrepreneurs in Germany** (*Verband deutscher Unternehmerinnen – VdU*). The Confederation of German Trade Unions (DGB) is affiliated to the Alliance via the National Council of Women. In order to enable and secure the coordination of the national action alliance, the organisation of Equal Pay Day based on a broad alliance and the continuation of these measures, the BMFSFJ has approved a further application by BPW for funding up to 2011.

**Mobilisation and awareness-raising among decision-makers through the organisation of the Equal Pay Day**

In addition, in the first half of 2009 a **Franco-German seminar** will be held in co-operation with the Federal Ministry of Labour and Social Affairs (BMAS) and the French Ministry of Labour, Family and Social Affairs. Here, best practices will be exchanged and measures defined which help to reduce the pay gap.

Further opportunities for co-operation with the social partners arise from the new **European Social Fund's National Programme for Germany**, which will be launched shortly under the management of the Federal Ministry of Labour and Social Affairs (BMAS). Within the framework of the programme, best-practice models for career development within companies and equal pay policies will be supported. The basic co-operation agreement between the federal government and the social partners has already been signed and a steering committee to work out the specific modes of operation has been established in partnership with the Confederation of German Trade Unions and the Confederation of German Employers' Associations. A nation-wide call for projects to which all interested companies and associations can apply will follow.

**New possibilities are afforded by the ESF Project**

Finally, the co-operation by the BMFSFJ with the Hans Böckler Foundation aim to increase the level of transparency for women. The findings of **[www.frauenlohnspiegel.de](http://www.frauenlohnspiegel.de)** on pay inequality among labour market entrants will be analysed and publicised by the BMFSFJ for the use in individual wage negotiations. As long as women negotiate with a lack of determination and information, there is no chance of closing the wage gap in all segments of the labour market not covered by collective agreements.

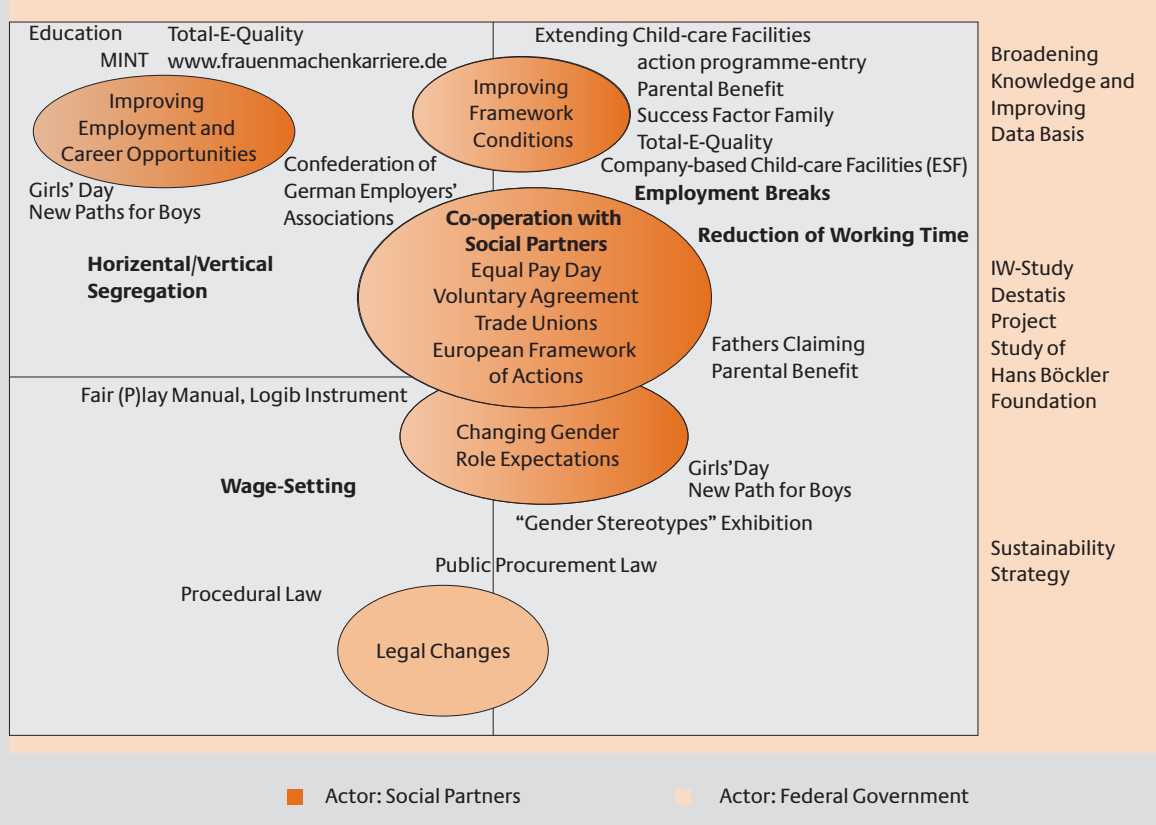
# V. Conclusion

## 5.1 Evaluation of Political Instruments for Overcoming Pay Inequality

### Integration of individual measures into one coherent policy

Fostering equality of pay is a central concern of gender equality policy-making. This dossier aims to provide precise answers to the question of how individual measures can be appropriately allocated to the responsible actors. Figure 22 gives a complete overview of the measures, possibilities of intervention and key actors.

Figure 22: The Overall Strategy to Tackle Pay Inequality



However, an effective reduction of pay inequality can only be achieved through joint action within strategic alliances.



In order to assess the prospects of success for each individual measure, the table below summarises the starting points for action discussed above and rates them in terms of their potential for improving the situation. Here, the **triad of origins** in the categories “Horizontal/Vertical Segregation”; “Wage-Setting” and “Employment Breaks” is once more contrasted with the key starting points for action of the responsible actors. Furthermore, the situation in Germany in the individual categories is compared to that of other countries, and the resulting potential for improvement is assessed. Thus, for instance, in Denmark 61 per cent of children under the age of 3 visit a child-care facility whereas in Germany this figure currently – i.e. before the planned extension of child-care infrastructure – amounts to only 9 per cent. This means that in Denmark there are better conditions for returning to work quickly and shortening employment breaks.

**Table 1: Determinants of the Pay Gap and Approaches to Reducing it**

Determinants	Starting points for action	Actors	Potential for change measured against international benchmarks	Potential for change vis-à-vis international benchmarks
<b>Horizontal/Vertical Segregation</b>				
<b>Education, Work Experience</b>	Women’s educational participation	Government	For the tertiary sector: Germany: 50 per cent EU average: 55 per cent	small
<b>Occupational Choice</b>	Choice of MINT professions	Government Associations	Estonia: 48 per cent Germany: 30 per cent	medium
<b>Choice of Sector</b>	Family-friendliness of employers	Companies	High level of satisfaction reached already in Germany	small
<b>Employment Breaks and Reduction of Working Time</b>				
<b>Employment Breaks</b>	Childcare for the under three-year-olds	Government	Denmark: 61 per cent Germany: 9 per cent	high
	Parental benefit – Partner months	Government	Proportion of households claiming parental benefit Germany: 16 per cent Norway: 89 per cent	high
<b>Working Time</b>	All-day child-care	Government	Numerous countries: 100 per cent; Germany: 17.6 per cent	high
<b>Additional Factors</b>	Gender stereotypes, individual employment behavior	Society, association, government	No appropriate data available	Cannot be estimated
<b>Wage-Setting</b>				
<b>Job Evaluation</b>	Evaluation methods Collective agreements Public procurement law Procedural laws	Companies, trade unions, government	No benchmark values	medium
<b>Wage Negotiations</b>	Transparency, Logib, Public procurement law, Procedural law	Companies, trade unions, government	No benchmark values	medium

Source: With reference to IW (2008a).

From this perspective some measures and instruments seem especially promising because the possibilities to catch up with other countries are greatest. If on the one hand, the extension of child-care facilities and all-day schools is continued, thus enabling a rapid return to work, a big part of the pay gap between women and men can be eliminated. On the other hand, in terms of an international comparison, there appears to be a high potential for improvement with regard to securing child-care for the under three-year-olds and the intended **extension of the partner months**. Overall, increased efforts, which would contribute to narrowing the pay gap, seem to be particularly promising in these fields of action... Campaigns for overcoming segregation in the labour market can also contribute to narrowing the gender pay gap in the long term. And finally, complementary measures for creating greater transparency in wage-setting (Logib/Women's Wage Index) and for regulating wage-setting processes (reform of public procurement law and procedural laws) also have the potential to further narrow the pay gap between women and men.

## 5.2 Strategic Aims in the Fight Against Pay Inequality

**The aim is to reduce the pay gap to 10 per cent by 2020**

The aim of the sustainability strategy of the federal government to reduce the pay gap to 10 per cent by 2020 calls for activities in numerous fields of action within the context of a coherent overall strategy:

1. The most important effect is associated with the continuous attention for the second complex of origins. The federal government is creating **an environment in which women and men will not be forced to choose between children and career**. By improving child-care provision and by creating framework conditions which facilitate the reconciliation of the needs of family and work as an issue of equal concern to both women **and** men, the employment behaviour of women and men gradually converge. Thus, the pay gap will be narrowed. The parental benefit and its partner months will make a particularly significant contribution to changing the gender role expectations towards mothers and fathers. The extension of the partner component envisioned for the 17<sup>th</sup> legislative period will be an important next step in this direction.
2. **Changes in gender role expectations** are essential if occupational choices of women and girls are to be changed. The measures and campaigns in this field – including those in co-operation with business – are designed to raise awareness of the future-oriented parts of the occupational spectrum in the long term.
3. Changes to corporate governance structures to **increase transparency in job evaluation procedures** as well as possible legal clarifications with regard to **company reporting (in the German Commercial Code) etc.** can further contribute to the promotion of equal participation

opportunities and to the reduction of the pay gap. It is to be hoped that the new ESF programmes in cooperation with the social partners will present new solutions in the form of best practice approaches.

4. Finally, these fields of action cannot be dealt with by the federal government alone. To perform this important **task concerning the whole of society, there is also the need for great efforts on the part of the collective bargaining partners, individual employers and male and female employees.** Existing and future co-operations can play their part in this respect. A more intensive co-operation with business on the issue of pay equality within the framework of the agreement between the federal government and the leading confederations of German industry for the promotion of equality of opportunity and the **National Alliance for the “Equal Pay Day”** are key strategic partnerships serving to mobilise all actors and to raise awareness among them. In this respect it is vital that these actors – in particular the employers’ associations – come together for a steady co-operation under one umbrella and show solidarity with the aims of the Action Alliance. The Action Alliance is supposed to be active not only during the year of 2009, but also in the following year in order to work effectively towards the closure of the pay gap.

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**Published by:**

Federal Ministry for  
Family Affairs, Senior Citizens,  
Women and Youth – BMFSFJ  
11018 Berlin  
[www.bmfsfj.de](http://www.bmfsfj.de)

**Available from:**

Publikationsversand der Bundesregierung  
Postfach 48 10 09  
18132 Rostock  
Tel.: 018 05/77 80 90\*  
Fax: 018 05/77 80 94\*  
E-Mail: [publikationen@bundesregierung.de](mailto:publikationen@bundesregierung.de)  
[www.bmfsfj.de](http://www.bmfsfj.de)

**As of:** November 2009, 1. Edition

**Designed by:** [www.avitamin.de](http://www.avitamin.de)

**Printer:** DCM Druck Center Meckenheim GmbH, Meckenheim

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