



European Commission
Justice

Exchange of good practices on gender equality

Reducing the gender pay gap
Germany, 5-6 December 2011

Summary report

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This publication is supported by the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe 2020 Strategy goals in these fields.

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1. The good practice of the host country and associated country

An exchange of good practice was held in Berlin on the 5-6th December and focused on ways of reducing the gender pay gap. Two good practices were presented by the host country (Germany) and the associated country (Austria). In addition, Switzerland presented its approach which served as model for the German practice.

- **Germany**

The gender pay gap in **Germany** exceeds the EU average. In order to address this issue, Germany introduced the so called **Logib-D (Lohnungleichheit im Betrieb – Deutschland / Pay Equality in Companies in Germany)**, a software tool consisting of a number of modules that build upon each other.

Initially provided as an offline Excel programme, it was made available on the internet (www.logib-d.de) by the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth in 2009. The web-tool allows companies to identify differences in pay through **self-assessments of pay equality** on a voluntary basis. Logib-D is a method for determining the differences according to recognised standards of economic research (human capital theory) and does not rely on a legal definition. It was not designed as an instrument for surveying discriminatory pay inequality and thus does not provide an indication of pay inequality to be brought before in court. Logib-D serves rather as a proactive way to determine company-specific structures that have a measurable influence on the pay differences between women and men.

After entering the pay levels and qualification characteristics of female and male employees, the web-tool provides a standardised report on the results in PDF format for printing; this includes an extensive equality-oriented analysis of pay structures and, thus, a analysis of the wage gaps within the company or organisation – the unadjusted wage gap as well as the adjusted one¹. In the Logib model, calculation is done by means of a statistical regression analysis. This calculates how relevant factors, such as qualifications affect wage. The basis for this calculation is education, potential work experience, tenure, occupational (hierarchical) position, job complexity. Gender is also included in the regression function as an additional independent variable. If no discrimination is present, this variable should not have any significant influence on pay figures.

The reports on the results produced by the web-tool display any identified wage gap on a “gender-pay-gap clock” with the indication of gender pay gap extent (from less than 5% to more than 25%). The calculations can be undertaken both for a company on the whole as well as for specific different company locations or departments.

In addition to the self-assessment tool, the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth gives companies the possibility of receiving

¹ The unadjusted gender pay gap (GPG) is defined as the relative difference, in percentage, between the average gross hourly earnings of women and men. It is important to differentiate between the *unadjusted* (also known as *raw*) wage gap and the *adjusted* (also known as *discriminatory* or *unexplained*) wage gap. The unadjusted or raw pay gap does not take into account differences in personal (e.g., age, education, the number of children, job tenure and occupation) and workplace characteristics (e.g., the economic sector and place of employment) between men and women.

free of charge consulting activities. Consultants provide an in-depth analysis of the situation regarding pay equality within the company and develop concrete company specific options for actions to reduce any existent wage gaps. The results are presented in internal workshops. They are strictly confidential and are thus not published.

The consulting activities are being made available to 200 interested establishments free of charge at regular intervals to a maximum of 25 companies with a minimum workforce of 50 employees that have registered on the programme's website www.logib-d.de. The German Federal Government so far financed the consultation-supported pay testing procedure Logib with an amount of 1.5 million Euros. The attendance in the consultation process allows the companies to receive the label "Logib-D geprüft" ("Logib-D tested").

At the moment, more than 500 users have compiled and printed model reports using the web-tool on the internet, 94 companies are in the consultation process and 25 companies have already been awarded the label.

The specific target groups of Logib-D are personnel managers and managing directors who are provided with an instrument to analyse pay structures, to gain access to consulting activities and to find company tailored solutions. The intention is to make companies more aware of the issue of pay equality and to recognise approaches to eliminate pay inequality. Another target group is social partners who will be able to determine instantly how a new collective bargaining agreement will affect the existing (gender-specific) remuneration structure.

- **Austria**

As associated country to the seminar, **Austria** presented its **income transparency policy** which was recently (March 2011) introduced into the Equal Treatment Law. The law foresees three new measures to more effectively tackle the gender pay gap.

The first measure obliges employers who permanently employ more than 1.000 employees to produce a "**staff income-report**" every two years. The first reports covered the year 2010 and were forwarded to Works Councils by July 2011. This new instrument is going to be introduced gradually – depending on the size of the enterprises to which the obligation applies. From 2012 all Austrian companies with more than 500 employees will be covered. In 2013 all companies with more than 250 employees and in 2014 all companies with more 150 employees will be covered. Companies with 150 employees or less will continue to be exempt.

The income-reports have to focus on the occupational groups according to the applicable Collective Agreements. If no agreement is applicable, the income-report must follow the salary structure (pay levels) of the company. If there is no salary structure, the employers must define occupational groups within the company.

As a basic requirement the report must include the following information:

- The number of women and men per occupation group (pay level);
- The average or median income of women and men in the given year by occupational group (pay level). The income must comprise all forms of work remuneration, i.e. including bonuses, premiums, extra hours, benefits in kind (value according to the tax law), commissions and other remuneration components. Mere reimbursements for work related costs (e.g. travel expenses) are excluded.

The main addressee of the report is the Works Council. The (Central) Works Council is entitled to review the income-report along with other pertinent information. The breadth and detail of that information is assessed on an individual basis. In case the employer does not comply with its obligation to produce the report, the Works Council can force the production in court within three years. In companies without a Works Council, the income-report must be made accessible to the employees. In case the employer does not produce the report, every individual employee can compel their employer to produce it.

The introduction of the income-reports was accompanied by several implementation measures to ensure good results. To this end, the Ministry for Women's Affairs, with support of the social partners and the Ombud for Equality, provided:

- a manual for drafting the report which consists of examples for tables and calculations.
- numerous free of charge seminars in Vienna. Questions raised during the seminars were compiled in a FAQ which is published and constantly updated on the Ombud's website;
- a brochure sent to all members of the Works Councils;
- a short manual for the Works Council members on "Closing the Gender Gap – What can be done at company level".

The second measure states that **employers, when advertising vacancies, must indicate the collectively bargained minimum wage** and state how much more they would be willing to pay. Should this rule be violated, the district authority will first issue a warning and, if the employer does not comply, a fine of up to 360 Euros will be imposed (from 2012 onwards).

The third measure is related to the **transfer of more competencies to the Ombud** in dealing with pay discrimination issues. Acquiring the necessary information to prove discrimination is rather difficult because the information is usually not accessible to complainants - the overwhelming majority of whom are women. Under the new law the Ombud for Equality or the Equal Treatment Commission can compel the Social Security Agency to provide income-data of an employee of the opposite sex with comparable characteristics.

The three measures were introduced after intense discussion with the social partners and are embedded in the National Action Plan for Gender Equality on the Labour Market.

- **Switzerland**

In addition to the German and Austrian good practices, **Switzerland** presented its Logib, the original one, which was used and adapted by Germany in defining its own version. As for Logib-D, **Logib-CH** provides an analysis tool which examines: personal qualification traits (education, purchasing experience, length of service) and workplace-related traits (workplace requirements, professional position). The tool makes it possible to find out whether equal pay policy for women and men is respected in a certain company. The Logib software is suitable for companies with at least 50 employees. Detailed instructions and the answers to frequently asked questions are provided, making this tool simple to use and the results easy to interpret.

A major difference between the German and Swiss use and approach of Logib is that equal pay is in Switzerland a condition for companies to access public procurement and this tool can help employers to assess their situation. In Germany, Logib is a voluntary tool, not related to any legislation. Moreover, the Swiss Decree on Public Procurement establishes that the contracting authority can initiate inspections to ascertain whether pay equity is guaranteed between the female and male employees concerned. The contracting authority may transfer this task to the federal, cantonal or municipal gender equality office. Envisaged measures and sanctions are the following:

- contractual penalty;
- exclusion from the procedure, revocation of surcharge or dissolution of the contract;
- participation in new federal government procedure only once pay equity is proven.

2. The situation in the participating countries

This chapter is based on data and information presented in the comments paper written by institutional representatives and/or external experts of the countries participating to the meeting.

In addition to Germany, Austria and Switzerland, the following countries participated in the seminar: Bulgaria, Croatia, the Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia, Ireland, Luxemburg, Malta, Norway, Romania, Serbia, Slovakia, Spain and Sweden. These countries have implemented the principle of equal rights and equal treatment for women and men, as well as equal pay for equal work at different levels and within different legislative and cultural contexts. Most of the participating countries have included the concept of equal pay in their own legislative and policy measures.

As concerns the post-socialist countries - including Bulgaria, Croatia, the Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia, Romania, Serbia, Slovenia and Slovakia – some similar general patterns can be observed. The gender pay gap in many of these countries seems to be particularly high and related to the “new” capitalistic organisation of the labour market systems after 1989 and the neglect of gender equality during the transition period. The new capitalism reinforced and made evident several gender inequalities (including horizontal and vertical segregation and gender wage gaps) that, despite proclamations of equality and women’s emancipation, the full employment system which was maintained and enforced under a state-socialist system that centrally controlled wages and prices, already had been characterised by. The restructuring of the labour market during the 1990’s contributed in several of those countries to perpetuate gender inequalities, including the gender pay gap, and resulted in gender discrimination and insecure labour market positions for all women.

This is particularly true, for example, in the Czech Republic, Bulgaria and Estonia which are among the countries with the highest gender pay gap in the EU-27.

In the **Czech Republic**, women constitute most state and public sector employees and also most of the labour force in the service sector (mainly public services such as healthcare, education and social care). These fields have generally lower wages compared to the private sector. Also, compared to men, Czech women are disproportionately more often working in precarious jobs and even though the unemployment rate of men is currently higher (for the first time) due to the economic crisis, women still make up most of the long-term unemployed.

The gender pay gap in **Bulgaria** in 2011 was 25.1%. according to the nationally representative social data from the last round (R5) of the European Social Survey (ESS). The most distinctive gender gap is discovered in mid-career, mainly because it is the life phase of family formation. Socially prescribed roles for women to raise children are a possible explanation of women’s preference for jobs making reconciliation of work and family life easier, even if these jobs are less paid. In **Estonia**, the difference between average gross hourly wages of women and men in 2010 was equal to 30.4%.

Also in **Slovakia**, the gender pay gap is constantly increasing: 21.5% in 1997 and 25.3% in 2009. It concerns all age groups even if the largest gap – when women earn almost one third less than men – is the age group of 35 – 39 years. Similarly, in the **Former Yugoslav Republic of Macedonia** the gender pay gap is around 20%. Direct discrimination, stereotypes, sectoral and occupational segregation, non-linear careers due to the care for children, and traditional decisions regarding occupations for women, are identified as the main reasons for the wage differences between genders. According to a recent labour market assessment conducted by the World Bank, 83% of the gender wage gap in the Former Yugoslav Republic of Macedonia cannot be rationally explained, pointing to discrimination against female workers.

It is important to bear in mind that all these **statistics are related only to the formal/legal economy**. The situation in the often quite high informal economy is difficult to assess.

For example, in **Serbia**, where a considerable number of people are still working in the informal sector (33%), it cannot be expected to receive completely accurate personal statements on earnings, so these amounts will often be underestimated. Among self-employed and their employees, there is a greater chance for discrimination against women, in comparison to the clear rules and legacy of the socialist regime, which is still retained in the public sector and publicly owned companies.

In **Romania** the gender pay gap almost halved between 2000 (17%) and 2009 (8%). The average women's pay is considerably lower than the national average in industry (72%) and financial transactions and insurance (73%). Important wage differences persist in the highly feminised sectors: education (88%), retail and gross trade (82%), health care and social assistance (88%). Considering the size of the pay gap, the public sector is a less friendly employer towards women than the private one. The pay gap in the state sector is 16%, compared to 11% in the private sector.

In **Croatia**, according to the Bureau of Statistics, women's average salaries as percentage of men's stood at the level of 89.4% in 2009, which indicate that the pay gap was 10.6%. Similar values were obtained in previous years. Data are based on average monthly gross earnings in legal entities and based on information about earnings reported by employers.

On the contrary, although having a very low female activity rate, **Malta's** official gender wage gap, computed on the basis of the four-yearly Structure of Earning Survey, is one of the lowest in the EU: the gap for 2008 was registered at 8.6% and for 2009, it fell to 6.9%. In previous years, official statistics had even pegged the gap at a lower level. In 2006, the gender pay gap was 3 per cent, which at the time was said to be the lowest amongst all EU 27 countries.

As for the other countries participating in the meeting, the gender pay gap in **Norway** is similar to the situation in Germany and Austria. On average, Norwegian women earn 85% of the income of men, when part-time work is counted for. The pay gap between women and men is mainly explained by the gender segregation within the educational systems and, as a consequence, also on the labour market. A higher share of women is employed within the public sector, whereas a higher share of men works within the private sector. The private sector has usually higher salaries and also a higher pay gap between women and men.

In **Spain**, the unadjusted gender pay gap (17,9%) is similar to the EU average (17,7%; Eurostat 2011, 2006 data).

The average gender pay gap in **Ireland** is 17.1%, slightly below the average gap in the EU in 2008. However, there is evidence of the widening of the gap in recent years according to a complex set of factors relating to women's lower qualifications, skills and experience, the setting of pay levels and pay systems, occupational segregation, differences in working time and the burden of care responsibilities taken by women. An important factor thereby is family responsibilities and lack of childcare provision. Overall an unexplained gap of almost 8% is caused by either factors not captured in the data or by discrimination. The most recent data show that the pay gap between men and women in Ireland has widened, despite a gradual reduction over the last decade. A similar percentage of the unadjusted gender pay gap (17.9%) can be found in **Spain**.

In comparison to other European countries, **Luxembourg** is well positioned in terms of pay equality: the monitoring indicator on an hourly basis given by Eurostat shows that, since 2007, the gender pay gap stood at around 12.5%. The gross hourly wages of women are, on average, 12.5% lower than those of men.

In **Sweden**, the gender wage gap is approximately 15% and is the result of an extraordinary reduction in the Swedish gender wage gap which started already before the 1990s. The central agreements from the beginning of the 1960s until middle of the

1980s were more gender-oriented than ever before and the result was clearcut: the Swedish gender wage gap did diminish from an average of 40 percentage points to 20 during that period of time.

3. Summary of the discussions at the exchange meeting

In the discussions at the seminar particular importance was given to the possibility of **transferring** elements of the presented German and Austrian approaches or, at least, inspiring future policy design and interventions. All the participating countries agreed that **both the German and Austrian experiences were interesting examples of tackling the gender pay gap** and extremely valuable as instruments for obtaining reliable data and for multivariable analyses.

Countries considered the Austrian approach towards more transparency to be more transferable since the income-reports as well as the obligation to include wages in job-advertisements can easily be implemented. The Austrian system of income-reporting was considered to provide enough flexibility. This model also provides a simple and easily transferable process of monitoring that allows companies to encourage and incentivise good practice. On the other hand, accurate assessment of the pay gap, as demonstrated by the German Logib-D instrument, was considered to require more specific data that describe the characteristics of workers in order to explain differences in earnings. It also requires sophisticated mechanisms to determine the extent to which these characteristics explain the pay gap. Thus, the lack of capacity, proper instruments and mechanisms for data collection with a particular gender focus were the main barriers for transferability of the German practice. Implementation would need to be supported by a strong involvement of relevant actors and by communication campaigns.

An important element raised during the discussion was the **need of raising awareness on gender pay gap**. At present, this does not seem to be a political issue in most of the participating countries. The gender pay gap is also not always completely understood by the public, as it is a complex and multidimensional issue and requires specific information on calculation methods.

This means that the gender pay gap issues should not be discussed only by technicians but communicated also to **citizens and a wide-range of key stakeholders** such as government organisations, trade unions, employers organisations, and as such increasing networking and synergies. In that respect contacts with social partners are essential as well as the willingness of the Government to initiate debates. The inclusive discussions of the gender pay gap generated by the amendment to the Austrian Equal Treatment Law were, for example, considered to be very positive because allowed to achieve an important shared result and to increase awareness.

The roles played by the Austrian Ombud and the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth in Germany demonstrate the important role that government agencies have in **supporting the capacity of companies**. Creating awareness of the causes of the gender pay gap and how it can be reduced is essential in this respect. It is important because the gender pay gap is a complex issue that requires a multi-faceted approach to tackling vertical, sectoral and occupational segregation, the unequal burden of domestic and family responsibilities, the

undervaluing of work and the societal processes, norms and values that reinforce discrimination and the gender pay gap.

At the same time the **role of social partners** has been recognised as vital for three main reasons: to better understand and be aware of the different dimensions within the gender pay gap; to inform workers about the GPG and the actions they can take if they feel discriminated and finally to be in a better position to negotiate in collective bargaining with the aim of overcoming the gender pay gap.

The discussion also stressed the importance of considering the **different starting points of each country** especially with respect to the political and cultural values given to gender equality within working places. Many countries have still a long way to go and most of the countries agreed that in order to transfer the presented good practices, adaptations would be necessary, depending on the national regimes. For example, the voluntary Logib-D consultation process, even if formally transferable to all other countries, could find resistance in countries where a culture of low transparency and/or no political support exists.

The issue of **voluntary versus obligatory** was also pointed out during the discussions showing differences among the countries. For some of them the voluntary dimension of the German practice was an element causing possible difficulties in implementation and relatively low use by companies. Thus, legal obligations were considered to be able to play an important role in stimulating and sustaining schemes against wage discrimination on the workplace. For other countries, a mandatory character of the measure was seen as an obstacle for employers to create jobs.

Regarding transferability of the presented approaches, some of the participating countries also pointed to the difficult situation and lack of resources in times of **economic crisis**. Some participants felt that the depth of the economic crisis and the extension of unemployment make it difficult to introduce in the public and political debate any other topic different from these two pressing problems. Others were more optimistic, but the need to adapt the presented instruments to the respective national context was generally stressed.

Last but not least, the discussion emphasised the importance of the availability of **quality data** on the gender pay gap. As underlined, the gender pay gap is a multidimensional phenomenon requiring the use of specific methodology. Data should also be correctly collected and analysed.

4. Conclusions

Equal treatment of women and men in the labour market, particularly with respect to wages and salaries, is an important area in promoting gender equality. The gender pay gap is primarily a reflection of the differences in the type of work performed by women and men (objective factors). Women are predominantly employed in sectors (e.g. health care, education and public administration sectors employ more than 40% of working women) where work is lower valued and lower paid than in sectors where men are predominant. Moreover, women are frequently employed in medium skilled and low skilled positions with fewer working hours than men and a lower incidence of overtime. As a consequence, women frequently earn less than men for work of equal value.

However, wage gaps persist even within individual sectors and with regard to the same productive characteristics, representing direct gender discrimination. Indeed, direct

wage discrimination is defined as systematic disparity in the remuneration of different groups of workers as a result of individual characteristics that are unrelated to productivity (e.g. gender or race).

At European level there is a need to implement a series of measures in order to reduce wage differences between women and men and to provide wider analysis of all the factors influencing wage differences.

The good practices exchange seminar helped to reflect on possible ways to tackle the gender pay gap. The two good practices presented and discussed during the seminar showed both that actions can be taken and good results achieved. Important conclusions from the seminar therefore comprised:

- the fact that the instruments presented by Germany and Austria were useful instruments to **enhance the role of employers** in tackling the gender pay gap.
- the **vital role of social partners** in putting the gender pay gap issue high on the agenda. Both approaches presented during the seminar can strengthen their stance and ability to negotiate in collective bargaining.
- the **possibility to combine both instruments** reviewed, since they can be complementary to each other.
- the need to **embed these measures in wider strategies** addressing the reasons behind the gender pay gap (e.g. horizontal segregation, reconciliation of work and private life, decision-making imbalances, etc.).
- the importance of a **lifecycle approach** to the subject (e.g. taking into account the impact of the gender pay gap on the gender pension gap).
- the significance of **high quality data** on the gender pay gap, comprising both the unadjusted as well as the adjusted indicators. However, the data must not only be available but also correctly interpreted and analysed for a comprehensive understanding of the problem.
- the need to highlight the **business case for gender equality and equal pay** and to stress the benefits for companies in promoting gender equality in their organisations.
- the necessity to **continue with gender equality policies in times of crisis**.