European Commission

The EU Mutual Learning Programme in Gender Equality

Pay Transparency

Slovenia, 6-7 October 2026

Comments paper – Germany

ösb Consulting
Ein Unternehmen der ÖSB Gruppe.

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Justice

This publication is supported by the European Union Citizens, Equality, Rights and Values Programme (2021-2027).

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Pay Transparency as a Contested Arena

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Abstract

Although the gender pay gap in Germany has narrowed in recent years, it remains at a high level. The Pay Transparency Act, which came into force in 2017, was intended to reduce pay inequality by requiring companies to disclose their pay structures and by enabling employees to compare their earnings with those of their colleagues. Both evaluations confirm that the Act has had little impact. A reform of the Act to bring it into line with the EU Directive is currently being prepared; however, many employers oppose the planned measures. What is needed is an approach similar to that in Slovenia, where a broad social consensus on equal pay has been established.

1. Relevant Country Context: The Gender Pay Gap in Germany

With 74 % in 2024, Women's employment rate (% of population aged 15–64) in Germany is comparably high. However, substantial differences in employment patterns between women and men remain such as the prevalence of traditionally 'female' and 'male' occupations, the underrepresentation of women in senior management, and persistently high rates of part-time employment among women. In this regard, the share of part-time workers among employed women was 49 % in 2024, compared to only 12 % for men.

These differences have impact on the (unadjusted) gender pay gap, which was at 16 % in 2025 – with significant differences between East and West Germany. While in East Germany the gender pay gap was at only 5 %, it was at 17 % in West Germany (Statistisches Bundesamt 2025a). However, the gender pay gap has – though intermittently – decreased significantly in the last decade from 22.3 % in 2014 to the actual 16 %. On average, women received average gross hourly earnings of EUR 22,81, EUR 4,24 less than men (EUR 27,05) (ibid.). Women's lower average incomes are also reflected in pension payments. The 'gender pension gap' stands at 36.9 per cent in 2024 – also with significant differences between East (16.2 %) and West (41.4 %) (Statistisches Bundesamt 2025b).

In addition, the lower average hourly wages – whether calculated on a daily, weekly, monthly or annual basis – add up over time and, over the course of the working life of women and men. This results in a significant income gap, the so-called 'Gender Lifetime Earnings Gap': This stands at 51.5 % for women and men aged 60 (Glaubitz et al. 2022, 40). In monetary terms, this means that women in West Germany have an expected average lifetime earnings income of around EUR 830,000 (measured in

prices from 2015), whilst men can expect an average of around EUR 1.5 million. In East Germany, expected lifetime earnings are in general lower. Here, women's lifetime earnings amount to around EUR 660,000 (men EUR 1.1 million) (Bönke et al. 2020: 36). This means that women's lifetime earnings in West Germany are, on average, EUR 670,000 lower than men's, whilst in East Germany they are, on average, EUR 450,000 lower (ibid.).

At party political level, it was not until the 2013–2017 parliamentary term that a broader political debate on the gender pay gap took place. At the instigation of the SPD, the governing coalition of CDU/CSU and the SPD included in the coalition agreement the target to reduce the gender pay gap by making pay conditions more transparent (Scheele 2026). In 2017, finally, the Pay Transparency Act came into force. It followed mainly the EU-recommendation (2014/124/EU) on pay transparency and the gender pay gap from 2014, with which the Member States were asked to install various measures such as the entitlement of employees to request pay information; company reporting; pay audits or the inclusion of equal pay issues in collective bargaining. The core points of the law are: (1) Workers in companies with more than 200 employees will be entitled to an individual right to wage comparison information; this affects more than 14 million employees; (2) In companies bound by collective bargaining agreements, works councils will administer this legal entitlement; in companies without works councils, employees must address the employer themselves; and (3) An evaluation procedure will be introduced for companies with more than 500 employees. This procedure needs to be carried out at least every five years. Incorporated companies with more than 500 employees must report on equal opportunities measures as well as on equal pay on a regular basis.[1]

The two evaluations of the Pay Transparency Act show that only a few companies have reviewed their pay structures and that only a small proportion of employees have made use of the individual right to information enshrined in the Act (BMFSFJ 2019, BMFSFJ 2023).[2] It is important to note that companies are free to decide for themselves which tool to use to review their remuneration structures. As a result, there is no common standard and the quality of the evaluations differ.[3] The second evaluation report makes also recommendations to increase the effectiveness of the law. These include, for example, that the rules are to become clearer and more uniform, and that the binding nature of the rules and the instruments must be improved. These are also the core aspects of the current policy debate.

[1] For additional information, see: www.bmfsfj.de/blob/117322/cbecce81bb4ce80ad969176e3a6b8293/das-entgelttransparenzgesetz-informationen-zum-gesetz-zur-foerderung-der-entgelttransparenz-data.pdf

[2] For additional information, see: www.bmfsfj.de/blob/jump/137224/bericht-der-br-foerderung-entgelttransparenz-data.pdf

[3] For additional information, see: https://www.boeckler.de/fpdf/HBS-008285/p_fofoe_WP_244_2022.pdf

2. Policy Debate: The Pay Transparency Act and its Revision

In June 2023, the EU Pay Transparency Directive came into force. It was to be transposed into national law by June 2026. The Directive provides for the so-called 'right to information' to be simplified, making it easier for employees than before to access information about their own pay and the earnings of comparable colleagues. The Directive also calls for greater transparency regarding starting salaries for applicants and obliges companies to provide transparency on how pay is determined and on the gender pay gap. If unjustified pay differences come to light, companies must take action themselves. Against this background, the governing parties agreed in the 2025 coalition agreement to 'transpose the EU-Directive into national law with minimal bureaucracy. However, the deadline has passed and the draft bill by the Federal Ministry for Education, Family Affairs, Senior Citizens, Women and Youth (BMBFSFJ) is still under discussion.

In July 2025, the BMBFSFJ has appointed an expert commission with the task to develop proposals for a practical and streamlined implementation of the Directive. Until October 2025, the commission has discussed possible approaches to a low-bureaucracy implementation and consulted with external experts. The German Association of Women Lawyers (Deutscher Juristinnenbund, djb) summarises the discussions within the commission and the outcome – which also includes dissenting opinions from the djb and the representative of the German Trade Union Confederation (DGB) – as follows: In the course of these consultations, the tension became apparent between, on the one hand, a design that is as unbureaucratic as possible for business practice and, on the other hand, the implementation of the relevant legislation in a manner that complies with (EU) law. Instead of developing effective solutions to combat excessive bureaucracy, it proposes to significantly weaken reporting obligations, joint pay assessments and co-determination rights. This would effectively undermine the Directive and render its protective provisions meaningless. The dissenting opinion warns that such proposals contravene the wording of the Directive, the case law of the European Court of Justice and the German Constitution. A selective or watered-down implementation does not provide relief, but rather creates legal uncertainty and liability risks – for the state, companies and employees alike.

In June, a broad alliance of different actors initiated a plea to the government to pass the draft bill and ensure that the Act comes into force as soon as possible. This open letter was signed by more the 90.000 persons and initiatives.[4]

[4] https://weact.campact.de/petitions/gleicher-lohn-fur-gleiche-arbeit-jetzt

3. Practical Examples

In Germany, various instruments are available to compare the value of different activities and identify discriminatory pay components.

- In 2009, the BMFSFJ launched the tool Logib-D (Lohngleichheit im Betrieb - Deutschland), which was adopted from Switzerland. Logib-D calculates which part of the gender pay gap in the company is due to the years of vocational training, years of professional life, professional occupation, working time, team size, and gender.
- In 2010, another tool called eg-check.de was launched, which analysed the wage structure by gender on the basis of the legal equal pay principles (Jochmann-Döll, 2017). With this tool, employers, employee representatives, collective bargaining parties, and – as far as data is provided – employees themselves can check pay regulations and pay practices in order to identify possible direct and indirect pay discrimination. It helps to analyse the following pay components: (1) basic pay (factor-based), (2) pay levels (experience-based), (3) performance pay, (4) overtime pay, and (5) hardship allowances. For each of these pay components, eg-check.de provides a statistical scheme that shows which data should be collected in what way to identify potential discrimination. In addition, there is a regulation-check (Regelungs-Check) with which discriminatory regulations in collective agreements (either at the company or branch level) can be found. Since 2013, eg-check.de has been part of the Federal Anti-Discrimination Agency and can be accessed via its website. Companies and administrations can continue to check compliance with the equal pay principle and thus counteract discrimination risks in the payment of women.
- A third set of instruments is called pair comparison (Paarvergleich). It is a discrimination-free job evaluation scheme comprising 19 factors in four areas (knowledge, psycho-social demands, responsibilities, and physical demands) that make it possible to determine the value of a job free of discrimination (Jochmann-Döll, 2017). With this instrument, one can identify the value of jobs and compare female-dominated and male-dominated jobs.
- Currently, another tool – called Compass-W – is launched. This enables small and medium-sized enterprises to identify which tasks are the same or equivalent worth. It is based on the ‘Comparable Worth’ approach and uses the four criteria – competence, work-related stress, responsibility and working conditions – which are the basis of the EU Pay Transparency Directive.

4. Transferability Aspects

The core aim of the PAY DAY-project in Slovenia is the “free, voluntary, online company-level tool with two integrated modules: a gender pay gap calculation module and a gender-neutral job evaluation and worker categorisation module”. As far as I

can tell, this tool is similar to those already available in Germany, as well as to the webtool Compass-W that has recently been launched. It is therefore likely that only a more detailed analysis will reveal whether certain aspects can nevertheless be transferred. What seems more important to me, however, is that various stakeholders – companies, HR managers, payroll departments and employees' interest groups – were involved in setting up the instrument. And that these different groups are to receive training (blended learning course), thereby enabling them to develop a greater awareness of the issue of pay inequality. This and the national awareness raising campaign are likely to make an important contribution to the acceptance of the PAY DAY-project – and to pay equality in general for employers, HR managers, accounting staff and labour representatives.

5. Conclusions and Recommendations

In summary, it is apparent that, whilst in Germany the gender pay gap is recognised and there is, in principle, a consensus on the need to reduce it, concrete measures to increase pay transparency and enforce the principle 'Equal Pay for Equal Work and for Work of Equal Value' are frequently rejected. In particular, companies and their trade associations describe these measures as overly bureaucratic, thereby reducing the chances of an effective law being enacted in line with the Directive. Even though there are already many instruments available – such as digital tools and other forms of support and advice – there needs to be a clear commitment at company level to tackle the issue of pay inequality. Further measures aimed at raising awareness could help in this regard.

Irrespective of the necessity to make the Pay Transparency Act more effective, one must further be aware that the instrument has its limitations regarding substantial change. The labour market in Germany is still characterized by strong gender segregation. Institutional inequalities, such as androcentric pay structures that benefit male-dominated occupations and positions and typical male careers are linked to strong gender stereotypes in society, which prevent women and men from participating in the workplace on equal terms.

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