INSTITUT FÜR ARBEITSMARKT- UND BERUFSFORSCHUNG
Die Forschungseinrichtung der Bundesagentur für Arbeit

Online Magazin IAB-Forum

Women still hit the glass ceiling – despite operational promotion of equal opportunities

29. August 2018 | Malte Reichelt

There is a large wage gap between women and men. The search for explanations and solutions must start exactly where wages are decided: in the enterprises. In Germany, operational measures to promote equal opportunities of women and men and formalised Human Resources processes shall help reduce this gap and ensure fair wages. Can this work?

The Transparency of Remuneration Act (*Entgelttransparenzgesetz*) of July 2017 obliges larger enterprises in Germany to report on the progress made in gender equality and their gender-specific wage structure on a regular basis – with the objective to reduce the existing wage difference between men and women. The latest figures from the Federal Statistical Office show that this is still necessary. According to these findings, the average gross hourly wage of women was still approximately 21 per cent lower than that of men in 2016. According to Eurostat, the difference is approximately 16 percent in the entire EU area. As Wiji Arulampalam, Allison L. Booth and Mark L.

Bryan show in their 2007 study, the gender wage gap varies considerably between European countries.

Frequently mentioned reasons for the wage difference between men and women, not only in Germany, are still the, on average, lower educational level, the concentration of women in lower-paid occupations as well as part-time employment and employment interruptions due to parental leave which affect women much more frequently than men.

But as Hermann Gartner shows in an IAB study from 2016, women subject to social security contributions of the same age earned approximately 12 per cent less than their male colleagues even in the case of equal qualification and in the same profession within the same company in 2010. In an IAB research report published in 2018, Corinna Frodermann, Alexandra Schmucker and Dana Müller reach similar conclusions, and can also show that the wage difference is most prominent in larger enterprises between 200 and 500 employees.

Where does this discrepancy stem from? The search for explanations and solutions must start exactly where wages are actually decided: in the enterprises. The Transparency of Remuneration Act therefore also obliges the enterprises.

Different wage levels of men and women in enterprises are not necessarily the result of a conscious strategy. The explanations are as varied as they are complex. Statistical discrimination and social closure at management levels are often listed as the two main reasons for gender-specific discrimination.

Women are attributed certain characteristics

When individuals are attributed characteristics of an entire group, this is considered statistical discrimination. For example, female applicants can be attributed a lower productivity although it is higher than average in individual cases. Since Human Resources (HR) managers are not always able to pre-estimate actual productivity, they sometimes use the average productivity of all women as an orientation.

And this is exactly where the problem starts: The average lower pay of women, their more frequent part-time work and the fact that they are less frequently represented in leadership positions may convey some HR managers the impression or at least reinforce it that, on average, women are less productive than men. As a consequence, some HR decision-makers give them fewer opportunities in the enterprise and classify them in lower wage levels.

These negative assessments can thus turn into self-fulfilling prophecies: The assumption of the lower productivity is confirmed because many women receive worse jobs a priori. It is difficult to measure this kind of discrimination. However, as a result, it should become apparent that gender plays a role especially in the case of hiring new staff – thus right at the time when HR managers only have little information available.

Access to leadership positions is made difficult for women

Social closure assumes that certain groups are systematically excluded access to social positions, for example, through the introduction of formal admission requirements or through informal monitoring of access on the part of those who occupy these positions.

In concrete terms, this means that access to leadership positions is made more difficult for women because those are predominantly occupied by men who – consciously or unconsciously – tend to hire men. The consequences for the women affected are the same in both cases: reduced career opportunities within the enterprises and thus also lower wages on average.

Sticky floor effect and glass ceiling

This structural disadvantage already becomes apparent in the fact that, on average, women have lower starting wages than men – nota bene under otherwise identical conditions. In addition, they have reduced career opportunities – and this in two ways:

- women more often than men remain in low-paid jobs. This phenomenon is also referred to as sticky floor effect.
- Women are denied access to leadership positions more frequently than men. They hit a glass ceiling so to speak.

A study by Matt Huffman, Joseph King and Malte Reichelt from 2017 shows that these effects also persist in Germany. The data for Germany confirm both the effect of a glass ceiling as well as of a sticky floor. The probability of working in the lower sectors of the wage distribution is still higher for women than for men with equal education, the same labour market experience and in the same industry. The probability of working in the upper sectors of the wage distribution is strikingly smaller. Women advance to such highly paid positions more rarely.

A fraction of enterprises specifically promotes equal opportunities of women and men

Operational measures to promote equal opportunities are intended to decrease exactly these wage differences, and allow men and women access to the same positions. But do they in fact have the power to break the glass ceiling and facilitate women to advance from the low-wage sector?

With 11.5 percent, only a fraction of the German enterprises with more than 10 employees which hire at least one woman and one man implement measures to promote equal opportunities and family friendliness. These are usually offers for employees who are on parental leave. However, targeted support programs are offered rather rarely.

Nonetheless, some 33 per cent of German employees work in enterprises offering these measures, since especially larger enterprises, for example, promote female talents, offer on-site child care or use quotas. This should, at least theoretically, promote equal opportunities and reduce wage inequalities by facilitating career advancement of women.

In addition, formalised HR practices in staffing are intended to counteract the phenomenon of implicit discrimination of women. Formalised HR processes range from job descriptions to written agreements on objectives and personnel development plans. Such HR practices are applied in 48 per cent of the German enterprises with more than 10 employees.

Formalised HR processes show effects especially in the lower wage sectors

But do these measures actually reduce the wage inequality in Germany? In general, formalisation seems to have a larger effect on the wages of women than of men. The wage of women increases by 2.4 per cent on average with each additionally introduced measure – that of men only by 0.9 per cent. This means: The wage gap between men and women is, in fact, the lower, the more HR processes are formalised in an enterprise. This holds especially true for the lower wage sectors. Formalised HR processes seem to lead to an approximation of the probability of working in low-paid jobs with comparable characteristics between women and men. The upper half of the wage distribution remains unaffected by this. In other words: Formalised HR processes counteract the sticky floor but not the glass ceiling.

A possible explanation for this is that better-paid positions are often filled internally, and internal labour markets are less formalised. Another reason may be that better-paid positions are more rarely vacant, show more general job requirements and thus hiring is much more tied to the

decisions of individuals.

As described above, social closure processes can lead to men filling better-paid jobs above all with men. Here in particular, measures should be taken to improve equal opportunities such as the targeted promotion of female talents, mentoring programs or quotas.

The glass ceiling remains unaffected

Surprisingly, measures to promote equal opportunities and formalised processes have a positive effect on the approximation of the wages of men and women particularly in the lower sectors of the wage distribution but hardly in the high-wage segment.

While formalised HR processes can partly reduce the gap and raise the overall wage level of women and men in an enterprise, measures to promote equal opportunities seem to rather redistribute the wages in an enterprise: The probability of working in low-paid jobs is quite similar for men and women in enterprises with measures to promote equal opportunities; i.e., the wage approximates. In enterprises without these measures, women have a higher likelihood of working in low-paid jobs.

However, similar to formalised HR processes, they have no apparent effect on the likelihood of women working in a job in the top 60 per cent of the wage distribution. Hence, although they might represent an effective means to reduce the wage inequality in the low-wage sector, women cannot break through the glass ceiling with their help.

Conclusion

The wage gap between men and women is still large. A new study now shows for Germany: Wage differences between women and men can be reduced through operational measures for equal opportunities and formalised HR processes in sub-areas of the labour market. Especially in the lower wage sector, the probability of working in lower wage regions approximates for women and men; however, the top 60 per cent of the wage distribution remain virtually unaffected by that.

The reasons for the persistent wage gap in the upper wage sector can be manifold. A strong social closure may prevent advancements as well as expected or actual employment interruptions. In any case, however, the results speak for approaches that go beyond purely operational measures. Because they have so far apparently helped little to break the glass ceiling. An obligation to transparency of remuneration can be helpful in this regard, but further steps seem to be necessary.

Data

The linked employer-employee data of the IAB (LIAB) serve as the data basis for the study. The dataset links information of the IAB Establishment Panel, an annual representative company survey, with the administrative individual-level data of the IAB.

In 2008, the IAB Establishment Panel surveyed information on equal opportunities and measures in approximately 16,000 enterprises; in 2007, they were surveyed about formalised HR processes. To analyse the wage distribution and the effects on this distribution, wage data of all full-time employed persons in the companies are linked. Part-time employees are excluded due to a lack of information on hours worked.

Further information is available at the following link:
http://fdz.iab.de/de/Integrated_Establishment_and_Individual_Data/LIAB.aspx

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Cite article

Reichelt, Malte (2018): Women still hit the glass ceiling – despite operational promotion of equal opportunities, In: IAB-Forum 29th of August 2018, https://iab-forum.de/en/women-still-hit-the-glass-ceiling-despite-operational-promotion-of-equal-opportunities/, Retrieved: 26th of May 2026

Zitationshinweis

Malte Reichelt (2018): Women still hit the glass ceiling – despite operational promotion of equal opportunities , In: Online Magazin IAB-Forum 29. August 2018, https://iab-forum.de/en/women-still-hit-the-glass-ceiling-despite-operational-promotion-of-equal-opportunities/, Abrufdatum: 26. May 2026

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