

June 6, 2019

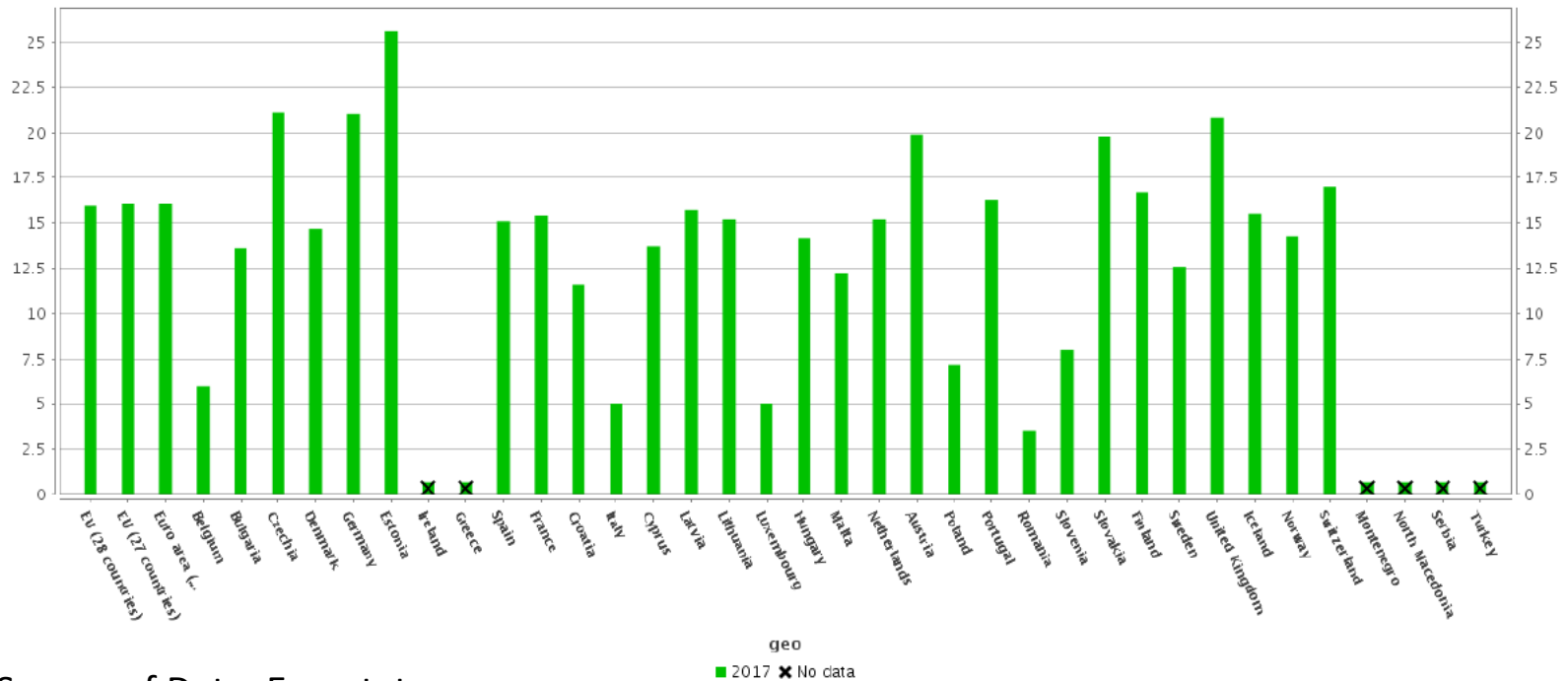
Can we Reduce Workplace Gender Inequality in Germany?

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Gender pay gaps across Europe

Average differences in gross hourly earnings of male and female employees in percent

Gender pay gap in unadjusted form
 % of average gross hourly earnings of men

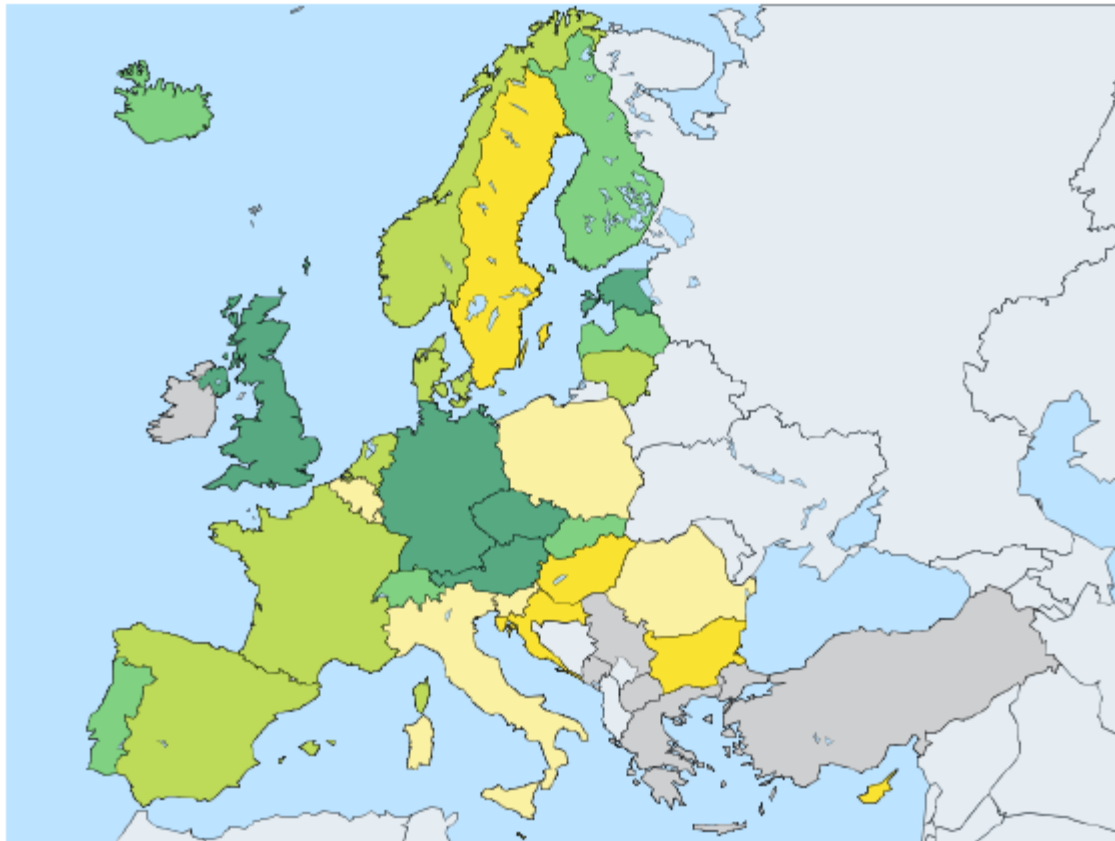


Source of Data: Eurostat

Hyperlink to the graph:

https://ec.europa.eu/eurostat/tgm/graph.do?pcode=sdg_05_20&language=en

Gender pay gaps across Europe



Average gross hourly earnings of male and female paid employees in percent

Source of Data: Eurostat

Hyperlink to the graph:

https://ec.europa.eu/eurostat/tgm/graph.do?pcode=sdg_05_20&language=en

Legend

3.5 - 8.0

8.0 - 14.2

14.2 - 15.4

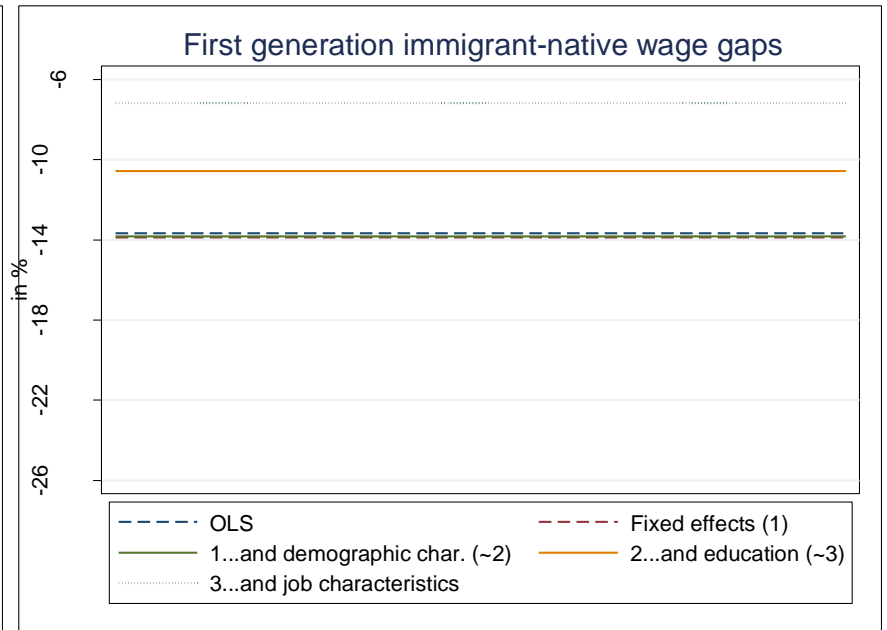
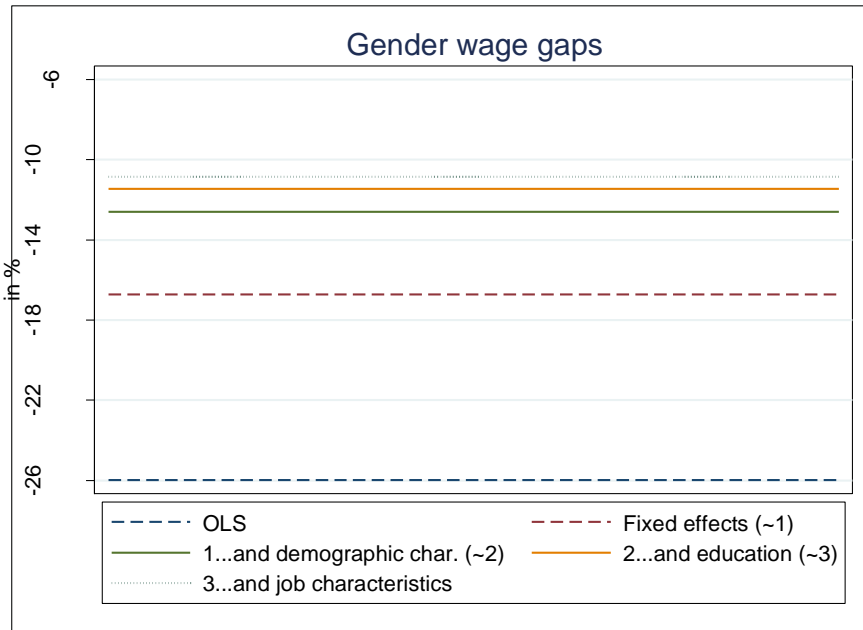
15.4 - 19.8

19.8 - 25.6

Not available

Minimum value:3.5 Maximum value:25.6

Gender pay gaps in Germany



Gender pay gaps in Germany

	Public sector	Private sector
Raw gender wage gaps...	15.5%	29.7%
... controlled for selection into firms	12.8%	19.3%
... & demographic characteristics	10.3%	13.6%
... & education	8.6%	13.4%
... & job characteristics	9.0%	11.9%

Motivation

- What happens within workplaces (or firms) ...
 - What happens to the gender wage gap, when women's representation in powerful positions increases?
 - Will these women have the power to be agents of change?
 - Can women advantage women as men advantage men?

Motivation

- We reason that **women's access to organizational power may reduce** the opportunity for male **social closure** as well as **gender stereotyping**, two of the mechanisms that researchers have established as contributing to the gender earning gap.
- **Yet, as access to formal positions of power does not always mean actual power**, we examine whether the equality effect of women's exercise of positional power is weaker than the male advantage from men in such positions.
- Finally, we examine the relationship between power and inequality within its specific organizational context, looking at **how subordinate's qualification level** shape the exercise of gendered power processes.

Access to Power and Earnings inequality

Gendered power relations:

- Persons in powerful positions tend to promote their personal and group agenda.
- Male managers excluding women and resisting equal opportunities reforms are a key source of gender inequality.
- Integrating women into powerful roles may redress that disadvantage:
 - If women reach those powerful positions they might be able to introduce change.

The Gender Makeup of Supervisor-Worker Dyads

- **Direct supervisors can affect their workers' earnings** through performance evaluations, mentorship, training and the social skills necessary to succeed at the firm.
- Studies have shown that **women's performance at work is less favorably evaluated** by male supervisors and that **more women supervisors** are associated (in Sweden) with a smaller gender earning gap.
 - Thus we can expect that female workers with male supervisors will earn more than women with a male supervisors.

The Gender Makeup of Supervisor-Worker Dyads

- Female supervisors may not be powerful enough to promote the interests of female workers.
 - Male supervisors are more likely to have access to resources that benefit their subordinates.
 - Women are more likely to gain managerial jobs in segregated contexts, managing other women.
 - Thus we predict that women are less powerful to advance female workers compared to men's power to advance men.

Data and methods

- We employ unique linked employer employee data “LEEP-B3” (Abendroth et al. 2014; Diewald et al. 2015; Pausch et al. 2014).
 - The LEEP-B3 data combines administrative and survey information from both 5424 employees and 100 workplaces.
 - This nationwide randomly collected dataset is representative of employees of German large workplaces.
- Linear regression with organizational fixed effects are estimated.

Data and variables

- Dependent variable: logarithm of the gross wage
 - **Gender:** Supervisor employee dyads: Female employee/Male supervisor, Female employee/Female supervisor, Male employee/Female supervisor, and Male employee/Male supervisor (reference category)
 - **Control variables:** education; (1) no or lower, 2) intermediate, and 3) higher secondary school education (reference category)), qualification; (1) no vocational qualification, 2) vocational training including training for public servants, 3) master craftsman qualification, and 4) university degree (reference category)), age, age squared, labor market experience and unemployment experience in years, persons being in a relationship (=1) and the number of children.

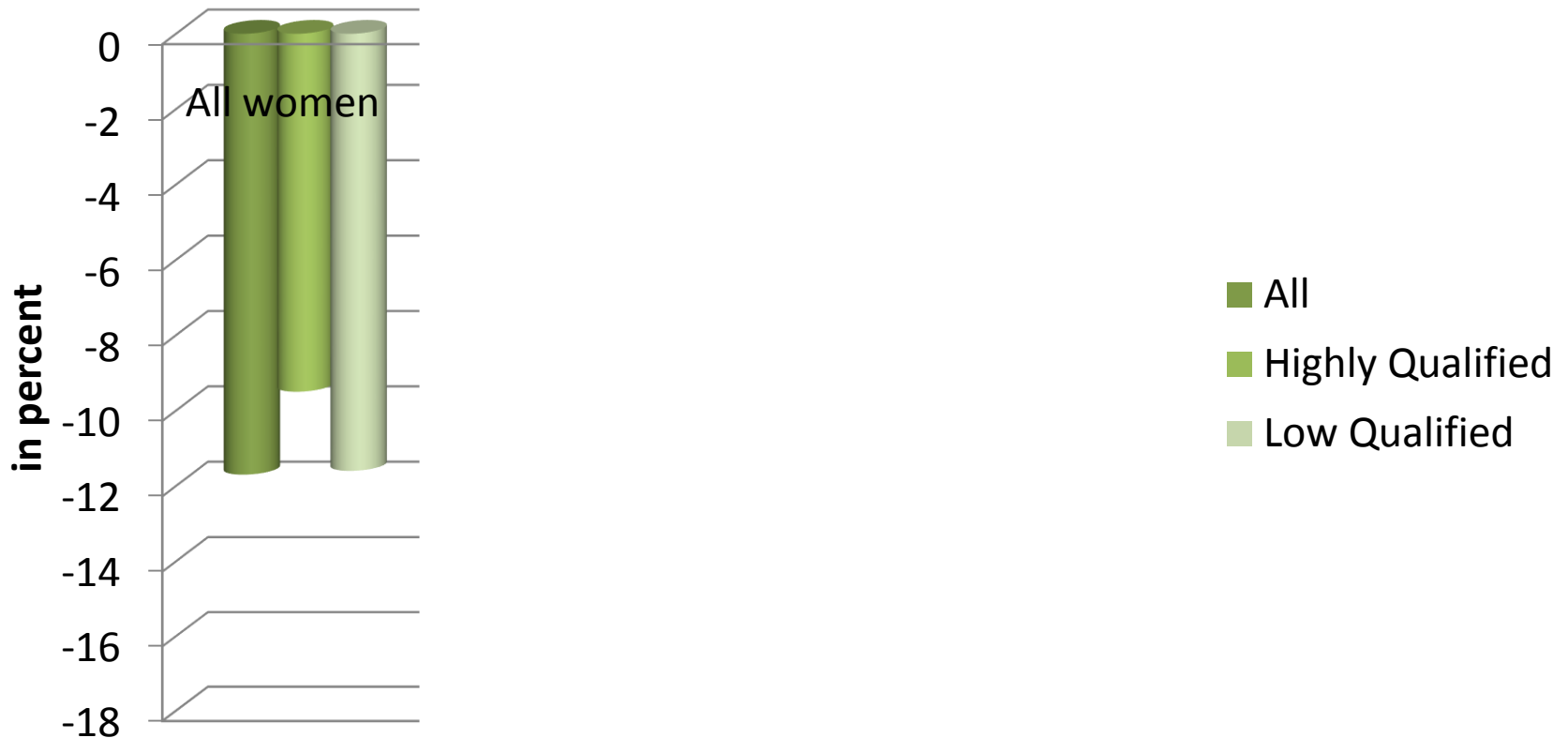
Results: Access to Power and Earnings Inequality

- Higher percent of **women in management decreases** the wage gap
 - All employees: 1% increase in management \sim 0.24% decrease of the wage gap
 - Highly qualified employees: n.s.
 - Low qualified employees: 1% increase in management \sim 0.31% decrease of the wage gap

Fixed-effects regressions of gender differences in log monthly earnings
LEEP-B3 data; Dependent variable log(gross wage); all controls included; ¹one tailed test

Results: Access to Power and Earnings Inequality

Gender wage gaps



Fixed-effects regressions of gender differences in log monthly earnings
 LEEP-B3 data; Dependent variable log(gross wage); all controls included; ¹one tailed test

Results: Access to Power and Earnings Inequality

Gender wage gaps

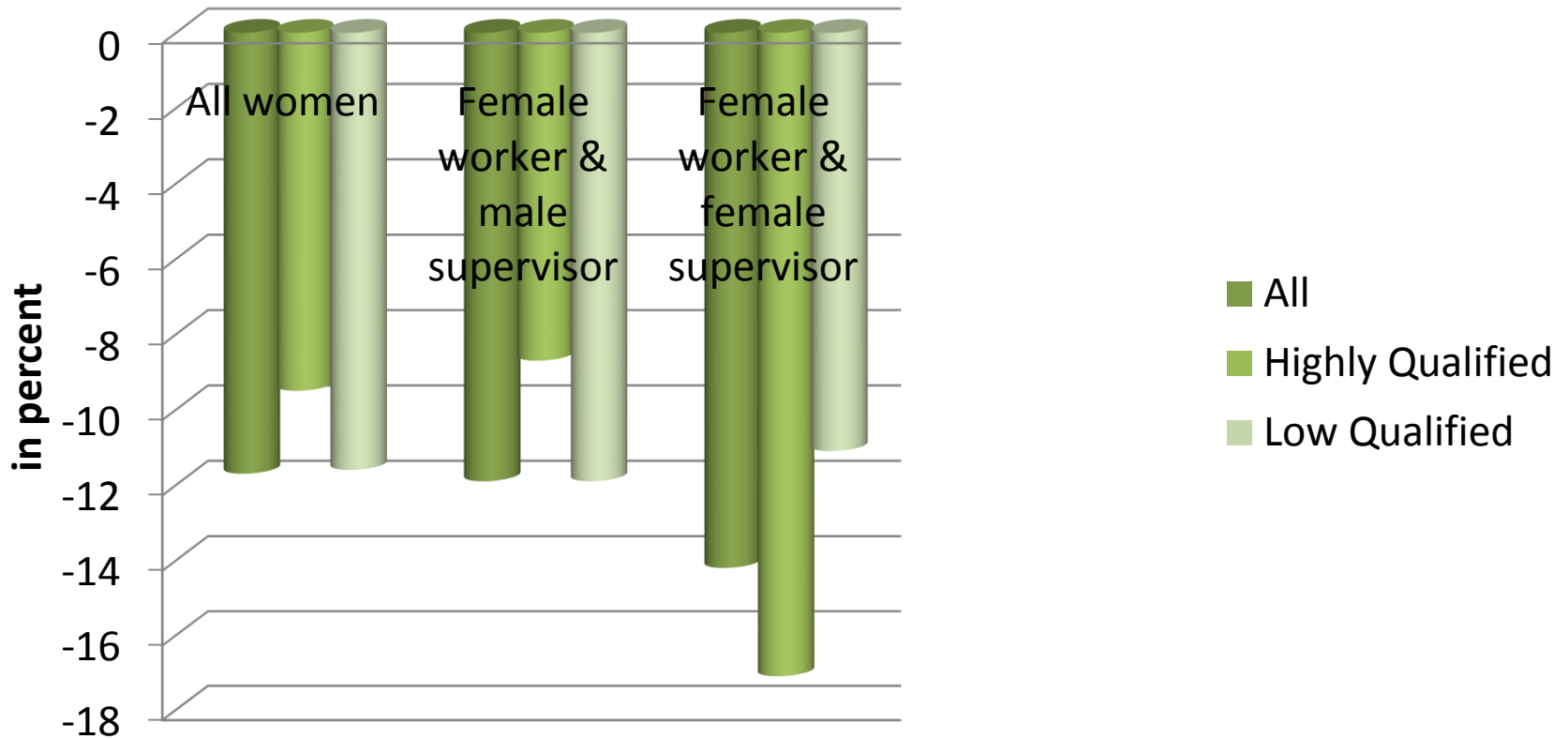


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Discussion

- Results indicate that compared to male employees, female employees experience income disadvantages.
- Moreover, our results show that female employees experience no income advantages from a female supervisor compared to male employees profiting from a male supervisor.

Discussion

- Indeed the wage disadvantages of female employees with female supervisors are the highest.
- Even male employees have disadvantages when having female supervisors.
- Our results imply that the access to authority positions does not give equal power to women in comparison to men in authority positions.

Conclusion

- The share of women in management reduces the wage gaps...
 - Women in management as agents of change.
 - Introduction of quotas in advisory boards of dax listed firms.
 - Step in the right direction, but unfortunately a tiny step, which does not go far enough:
 - No penalties
 - Only very few firms subject to those quotas.

Conclusion

- Other helpful regulations (newly introduced in Germany)...
 - “Entgelttransparenzgesetz” ~Transparent remuneration law
 - Employers need to ensure that their job evaluations are objectively, documented and assesses job requirements comparatively using predefined criteria.
 - These criteria could be based on :
 - » physical and intellectual requirements
 - » qualifications/ education or training
 - » responsibility

Conclusion

- Other helpful regulations (newly introduced in Germany)...
 - “Entgelttransparenzgesetz” ~Transparent remuneration law
 - In firms with more than **200 employees**: every employee has the right to request the **median pay of co-workers of the opposite sex doing equivalent work**.
 - » To protect privacy, this is not possible if less than six employees exist for this comparison.
 - In firms with more than **500 employees**: Employers should ensure that their pay structures are not discriminating, e.g. by operational measures fulfilling legal requirements.

Conclusion

- Other helpful regulations (newly introduced in Germany)...
 - “Entgelttransparenzgesetz” ~Transparent remuneration law
 - Wirtschafts- und Sozialwissenschaftliches Institut: investigates the consequences of this law.
 - » Only in 12% of the firms employers made an effort to implement the law.
 - » Only in 13% of medium sized (200-500 employees) and 23% of large firms employees made use of their information entitlement.

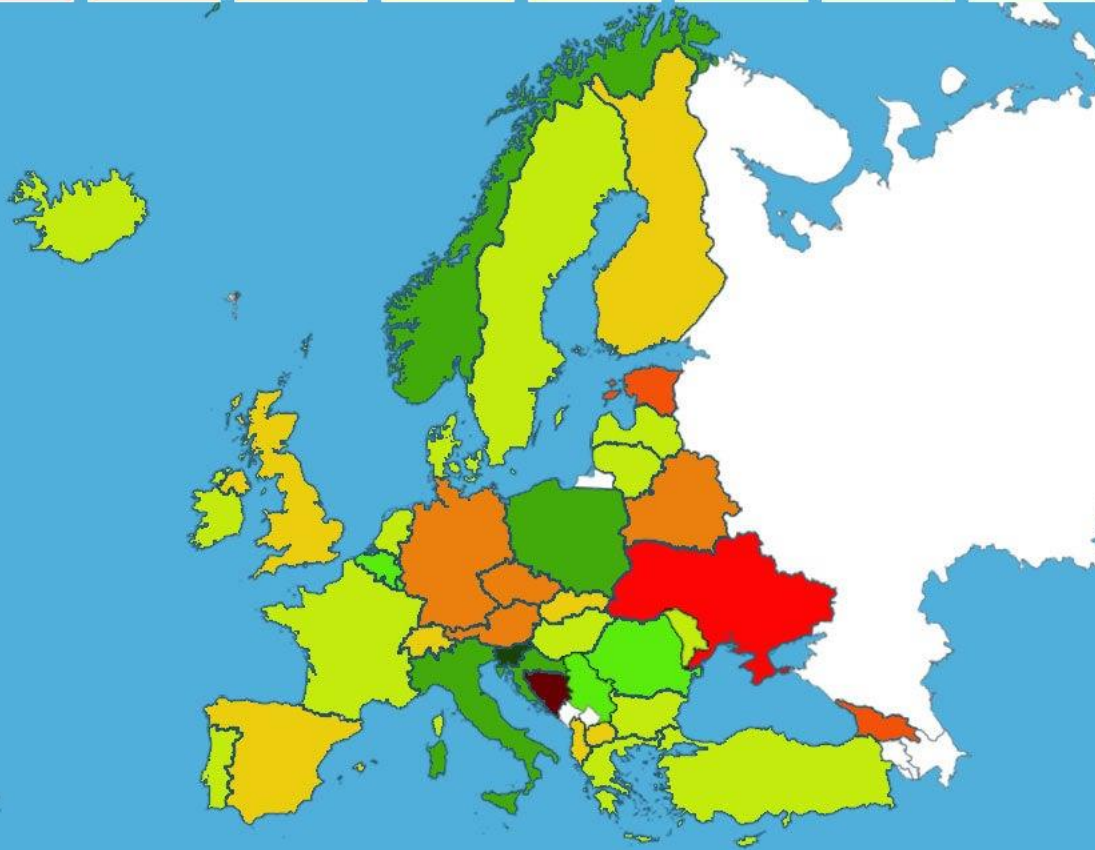
Conclusion

- We know from prior research...
 - that political and market pressure can produce equal opportunity progress (Stainback et al. 2010).
 - that internally the most effective organizational practice to create equal opportunities seems to be **creating organizational responsibility** by appointing diversity managers and diversity taskforces (Kalev et al. 2006; Dobbin et al. 2015).
- Responding to political pressure, increasing the shares of women in management, and creating responsibility provide employers with a starting toolkit.

THE DATE WOMEN STOP GETTING PAID IN EUROPE

- Slovenia 3,2%
- ~ Dec. 18
- Germany 21.6%
- ~ Oct. 12
- Czech Republic
- ~ Oct. 10

Jul 1st - 31st	Aug 1st - 31st	Sep 1st - 30th	Oct 1st - 15th	Oct 16th - 31st	Nov 1st - 15th	Nov 16th - 30th	Dec 1st - 15th	Dec 16th - 31st
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COUNTRIES BY RANK

THE PERCENTAGE WOMEN EARN LESS THAN MEN

Thank you !

Theoretical background and hypotheses

- We argue that formalized personnel practices which increase transparency as formalized personnel practices of *hiring and career planning* reduce gender inequalities.
- In contrast, formalized practices which are design to control managers' decisions or limit their power are often used by managers to justify “biased” decisions and therefore increase gender wage inequalities.
 - Thus, we assume that formalized *evaluation of work performance for pay rise, promotion, and training* increase gender wage inequalities.

Theoretical background and hypotheses

- We argue that formalized personnel practices which reduce the power of decision makers reduce gender wage inequalities.
- In contrast, formalized practices which legitimize individuals' power increase gender wage inequalities.
- We hypothesize:
 - *H3: Gender wage inequality will be smaller in workplaces with more formalized personnel practices around hiring and career planning.*
 - *H4: Gender wage inequality will be larger in workplaces with more formalized personnel practices around work evaluations and the use of these evaluations for pay rise, promotion, and training.*

Data and variables

- **Workplace characteristics:** organizational practices:
 - Index “formalization of hiring” was constructed adding up the following questions:
 - “Please indicate whether the following instrument exists in your establishment:”
 - a) “job descriptions of most of the existing jobs”,
 - b) “stipulated procedure for staff recruitment”.

Data and variables

- **Workplace characteristics:** organizational practices:
 - were measured with three dummy variables indicating whether written performance evaluations are:
 - a) “used for decisions on wage increases”,
 - b) “used for decisions on advanced training activities”,
 - c) “used for decisions on promotions”.

Data and variables

- **Workplace characteristics:** organizational practices:
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 - a) “used for decisions on wage increases”,
 - b) “used for decisions on advanced training activities”,
 - c) “used for decisions on promotions”.

Theoretical background

- The main idea is that formalization may encourage employers to search for candidates qualified for specific jobs, rather than select candidates because they are simply socially comfortable.

Castilla (2008), found in a firm with very structured meritocratic performance reviews, no race or gender bias in performance evaluations, but he found that when performance evaluations were tied to salary raises, bias crept back into the system.

Formalization is associated with lower gender segregation (Tomaskovic-Devey 1993; Tomaskovic-Devey et al. 1996), smaller influence of gender segregation on the pay gap (Tomaskovic-Devey and Graham 2002; Pfeffer and Cohen 1984),

Formalized screening procedures for hiring and promotion have also been associated with lower reports of discrimination by employees (Hirsh and Lyons 2010).

Roscigno (2007) found that after employees had filed a discrimination complaint employers vigorously enforced formal employment rules against this employee. In this case, formalization was the mechanism of discrimination.

Moreover, formalization is associated with increases in women's access to managerial and supervisory jobs (Reskin and McBrier 2000; Hultin and Szulkin 1999).

Theoretical background

Edelman (1992) and Dobbin and Sutton (1998) have expressed considerable skepticism that human resource practices will reduce inequality.

Dobbin et al. (2015) find that bureaucratic practices that involve managers are effective in increasing diversity, while those that come to limit managerial discretion create a backlash and reduce diversity.

Kalev et al. (2006) in a study of organizational policies explicitly intended to reduce gender and racial bias, found quite a mixed pattern of results, with most policies being ineffective.