

# Diplomarbeit

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Wien, im Oktober 2009

Riem Mahdi

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## **II. List of abbreviations**

Cf – compare

Ins. – Insurance

BA – Bachelor Degree

BS – Bachelors of Science

MA – Masters Degree

MBA - Master of Business Administration

Vice – Vice President

CEO – Chief Executive Officer

CFO – Chief Financial Officer

COO – Chief Operating Officer

OCO – Other Chief Officers

OFF – Officer

EVP – Executive Vice President

SVP – Senior Vice President

VP – Vice President

GVP – Group Vice President

Nr. of Obs – Number of Observations

R<sup>2</sup> - Coefficient of determination

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## 1. Introduction

The purpose of this thesis is to link the gender wage-gap in Austrian top corporate positions to gender wage-gaps in other developed countries such as in the EU and United States. For centuries discrimination has existed among employees of different genders, races, and educational backgrounds; but while racial discrimination has decreased drastically over the last decade due to legislative interference, gender discrimination remains a major concern to those working in Europe and the U.S. Not only are large companies hiring fewer women in top-managerial positions, but they are also paying female specialists and executives significantly lower than their counter-part male managers or executives.

After controlling for corporate factors such as business line, company size and hierarchy level, and personal factors such as age and educational achievement, men's incomes remain much higher than that of their female colleagues. These circumstances are unequal and can have a negative impact on business activity. There is a need for development to ensure remuneration-equity, and the unanimous intention to be realized at the end of the day should be: *same income for the same work*.

After all, the European Equal-Pay Study indicates that there is a 25% income inequality between men and women, or to put it in other words, women earn about a quarter less than their male colleagues – converting this 25% to working-days means that in one year women work about 96 days for free, or rather unpaid.

With regards to Austria, men earn approximately 27.5% more than women, a percentage higher than European Union percentage of income inequality. And in addition to the Austrian gender pay-gap issue, the women's presence in top-managerial positions is only slowly improving, increasing by only 4% since 1995.

By withdrawing conclusions from an American dataset, this thesis deals with the hitherto existing development and situation of the gender pay-gap and present discrimination in Europe and the United States of America – with focus on Austria.

The first section highlights the reasons why gender pay gaps occur. It also offers an introduction into the different types of discrimination. Several hypotheses for gender pay gaps and gender prejudices are also examined. Furthermore the thesis deals with the occupational differences and male vs. female presence in different fields/divisions, a phenomenon commonly known as the “glass ceiling effect”.

Discussed in depth is the current situation in Austria, with a focus on the women labour participation and the development in recent years.

Another important chapter is the empirical analysis of 3678 firms in the United States of America. The dataset includes female and male employees in top management positions, containing name, age, education and their several positions in the companies. All in all the records consist of 28891 employees who work in different divisions and firms. Out of these nearly 29000 managers less than 1000 are female.

Moreover the year of entrance in the position is denoted – starting in 1961 until 2005.

The dataset includes information on salary, bonus and other payments of executives which can help in analyzing inequalities.

Even though examining records which focus on factors of individual income helps in highlighting and understanding gender pay gaps, it is important to note that there are always impacts which cannot be measured and hence cannot be controlled for.

Finally the thesis summarizes the proposed solutions for reducing pay gaps in top management positions thereby creating equal opportunities for everyone and eliminating discrimination.

### **1.1. Why do gender pay gaps occur**

A frequently asked question is why do gender pay gaps still occur? There are many factors which are related to the differences in pay between men and women; these interrelated factors are direct discrimination, undervaluing the quality of women's work, segregation in the labour market, traditions and stereotypes and conflicts in balancing work and private life.

Direct discrimination tends to be a clear, bold discrimination. Women are paid less than men for doing the exact same job, or are denied a position even when they have a similar or better profile than the male candidate. More common is the situation when women and men do the same job of equal value and receive a different pay-check. The main reason is that a woman's competence is valued less compared to that of a man's; even in an entire field or industry can under-pay employees if it is dominated by women.

Another factor is the segregation in the labour market; women and men are more likely to work in different sectors in which their genders dominate. When working in the same sector women tend to get the lower positions and less paid jobs. According to the European Commission (2009), more than 40% of all female workers are occupied in health, education and administration sectors, meaning that they are highly present in these sectors because they are denied the opportunity in other prospering sectors. Particularly in the top management or the management boards, women are underrepresented and men tend to prevail with only 32% of the managers in businesses within the European Union being female.

A study by Adams and Ferreira (2009) shows, that there is more than just a positive relation between gender diversity of boards and firm performance. Although today

companies are being put under more and more pressure to diversify their boards, many still do not hire enough women in these positions; in Europe, Norway already has already put legal regulations to have a minimum-quota of 40% women and Spain is aiming to reach the same quota by 2010.

But these guidelines aren't always effective – different facts such as female attendance at important board meetings were also analyzed. Since women are more present at these meetings, men are encouraged to join the meetings too which makes women's presence a positive effect on the board. However there remains a counter-argument which is that „on average, firms perform worse the greater the gender diversity of the board. This result is consistent with the argument that too much board monitoring can decrease shareholder value” (Almazan and Suarez, 2003; Adams and Ferreira, 2007).

Another possibility of hypotheses is by Ishii and Metrick (2003), which shows that “gender diversity has beneficial effects in companies with weak shareholder rights, but detrimental effects in companies with strong shareholder rights.”

Still it is important to point out how necessary diversity is and how positively it affects a company; although there are no specific quotas which can guarantee a better financial performance or improvement of a firm or government, equity and fairness among genders can nevertheless still be pushed.

A U.S. study suggests that there is a positive link between board diversity and financial performance by bringing unique features to the board. The United States of America witnessed an immense improvement between 1998 and 2002 regarding the issue of women's presence on corporate boards. But nevertheless, the numbers are still far behind in the female workforce.

It is important to note that 46% of the U.S. workforce is female and out of this number more than 50% work in managerial positions and have professional jobs. In 2005 the Fortune 500 companies had only 14.7% female directors – which is a rise from 13.6% in only 2 years (Catalyt Inc. 2006).

On the other hand, the study by Adams and Ferreira (2009) encourages board diversity because the more diverse a board is, the higher the value will be created for shareholders, which then will encourage companies to be more representative and fair in order to be more successful.

In any case, both papers by Carter, Simkins, and Simpson (2003) and Adams and Ferreira (2002), discuss the link between female and minority proportion against Tobin's q. „Tobin's q is the relation of the market value of a firm divided by the replacement cost of its assets and is often used to measure firm financial performance, particularly in corporate governance research.“ (Simpson, 2008).

Traditions and stereotypes are also factors which determine the treatment or perception of each gender in the business world. They might encourage a woman to study then pursue a career, or get married and become a stay-at-home housewife; whichever path a woman decides to will affect her professional career and treatment at work. At some point in a woman's life she may have to make a decision regarding when to start a family, something which will lead her to abandon her professional life, diminish labour time or go on maternity leave.

Besides the factors mentioned, overall one can say that women have to overcome more obstacles than men. Even though more people nowadays are choosing to share parental duties and leaves, responsibility is not shared equally and women are finding themselves forced to choose maternity leave. Hence women have to interrupt

their career and cut down their working hours, two factors which reduce their chance to get into a higher position and earn a better salary.

## 1.2. Hypotheses

This year's "International Women's Day '09" pointed out that managerial positions are less often taken by female professionals, a trend which has ongoing and barely changed. With regards to gender pay differences in the top management, most women come off badly unlike their male colleagues.

There are many theories which explain why women are discriminated when it comes to high positions and salaries in a company. The most common statement is that individuals usually choose someone as her or his successor who would fit in best and is resembled to her- or himself. And in this case, since most high positions are occupied by men, men prefer choosing men for ascertain jobs.

Another hypothesis is that most people think there's a vast difference between women and men in effort, skill and performance at a new job. It is said that women are not good at negotiating their starting salary which is what gets the ball rolling.

However it is not only men who discriminate the other sex – according to Linda A. Bell (2005) "*..women may pull women into firms and positions because they prefer to work with similar individuals...*"<sup>1</sup> to achieve a positive impact on their labour market outcomes, which leads us to the discrimination model developed by Becker (1957).

Gary Becker is the founder of the modern neoclassical analysis of human capital and also labour market discrimination. According to his analysis individuals develop this

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<sup>1</sup> Bell (2005), Women-Led Firms and the Gender Gap in Top Executive Jobs

“Taste for Discrimination” because of their need for social and physical distance between them and a specific group of people.

When there is contact with this group (in this case women) physical and non-monetary costs will arise since all women should be considered, and as a result these costs will reduce the benefit and role of each women.

Thus discrimination only exists if someone takes the loss by not interacting with this group of people. According to Becker’s model, employers who discriminate against women are willing to pay their male employees more, and the extent of pay gap differs from one company to another. Those who do not discriminate women at all have in contrast lower costs and hence vantages in the market with perfect competition. At long sight employer with no tendency to discriminate would displace discriminating employers and therefore the discrimination of women in the labour market.

Becker is not illustrating what factors influence the tendency to discriminate. Moreover, Becker takes the reasons for discrimination as granted and does not question them at all.<sup>2</sup>

Another feature of Becker's work is his focus on the impact of self-fulfilling prophecies of teachers and employers on minorities/women. Such attitudes often lead to less investment in productive skills and education of minorities/women.

Even though the hypothesis cannot be confirmed, a study from Henrekson (2000) showed that Swedish firms seemed to underperform because they had women on board<sup>3</sup>. In contradiction to that Bell (2005) demonstrates in her paper that women in

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<sup>2</sup> Madden 1977, p.370, Schubert 1993, p.39, Ott/Rinne 1994, p. 148

<sup>3</sup> Smith, Verner, August (2005)



top management positions affect the firm's performance in many positive ways especially by having a heterogeneous board and hence diversity in decision-making.

Another hypothesis states that women tend to shy away from competition while men compete too much. We cannot ignore the fact that high-ranking managerial positions are largely occupied by men and that the presence of women is scarce. Muriel Niederle and Lise Versterlund examined whether differences in employment would still occur with the absence of any discrimination or parameters such as working hours. In their study, female and male professionals were working under a piece rate and a competitive tournament scheme. Piece-rate and competitive tournament scheme are representing the competitive and non-competitive way of work. By working on a piece rate, knowledge will be shared and more team-work is needed. Whereas in the tournament scheme more motivation is asked and individual work is significant. Later on these female and male professionals had to choose between one of these two schemes for their next performance. As a result twice as many men as women decided to take tournament scheme. Given that men are more optimistic and confident about themselves and their performance. On the other hand, women might shy the risk and have some kind of feedback aversion. Niederle and Versterlund (2005) also argued that some women believe they cannot cope with the responsibilities and long working hours of high-ranking positions. After examining the women and men's entry decisions they concluded that since women shy away from the tournament scheme, then only a few high-performing women can enter the market. This results in too many underperforming men entering the market which causes disequilibrium given the low-entry of female professionals versus high-entry of low performing male participants; since the costs of low-entry are much higher

than the costs of high-entry “...the costs of non-payoff maximizing tournament entry decisions are higher for women than for men”.<sup>4</sup>

The last hypothesis argues that discrimination still occurs due to statistical discrimination. The difference in treatment only results from the employer’s imperfect information about their female workers abilities. This uncertainty can be really costly for a company hence it will be worthwhile to get more information about a future employee.

## **2. Gender discrimination**

„Labor market discrimination exists when two equally qualified individuals are treated differently solely on the basis of their gender (race, age, disability etc).”<sup>5</sup>

A study by Blau and Khan illustrated that there are many reasons why gaps in earning occur between women and men occur (Table 2-1).

The study, which was completed in 1999, used a sample of full-time working females and males aged 18 to 65.<sup>6</sup> “The results in the table are based on a statistical analysis of the contribution of each variable to explaining the gender wage differential of 20 percent. ...The variables considered include indicators of “human capital”, that is, those relating to education and experience, as well as measures of occupation, industry and union status. (Race is also included as a control variable, but its effect is small because the proportion of each race group in the full-time sample is about the same for men and women.)” (Blau, Ferber, 2006)

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<sup>4</sup> Niederle, Vesterlund (June 2005)

<sup>5</sup> Blau, Ferber, Winkler (2006)

<sup>6</sup> Blau, Ferber, Winkler (2006)

Table 2- 1 Contribution of Measured Characteristics to the Gender Wage Differential, 1998

<b>Characteristics</b>	<b>Percent Explained</b>
Educational attainment	-6.7
Labor force experience	10.5
Race	2.4
Occupational category	27.4
Industry category	21.9
Union status	3.5
Unexplained	41.1
Total	100.0
Wage differential (%)	20.3
Source: Blau, Khan (2004)	

As we can see, nearly 11 percent of the gender pay gap can be explained by the low experience in the labour market. It is said that there is a 3.5 year difference between women and men in their full-time experience; that is because most women have more part-time job experience which of course doesn't count as much as full-time experience.

On another note, 53 percent of the gender wage gap can be explained by the occupation, union status and the industry women and men work in. In other words it is important to examine one's qualification and work characteristics when trying to explain gender pay-gaps.

Finally, the educational background of women was at that time, and up to today, higher than men; the number in the table is negative because it lowers the gap by

6.7%. This number still does not help us understand the pay gap because on the contrary, the level of education should help women work against the gender pay gap. Over and over again have researchers been studying the role of women across societies; even though conclusions have shown high education backgrounds and skill competence amongst women, discrimination still occurs when it comes to salaries and job positions. It is important to note that these reports emphasize more on general positions and not top management positions; that is because top executive positions are still difficult for women to access.

In summary, the female minority in the top management can best be explained as the result of women showing less interest in working in such positions, underestimating themselves and hence believing they are not qualified. Besides that most employees perceive women as having lower average productivity since many have family commitment from the beginning of their careers and are therefore more restricted in contrast to their male colleagues; this leads employers to believe that women are not the right choice for a high-ranking position. These obstacles shape the so called “glass ceiling” which makes it difficult for motivated and talented women to climb up to leading positions.

## **2.1. Occupational differences**

It is common to see different fields of work being more women-dominant (i.e. office and administrative occupations) or male-dominant (i.e. transportation and construction occupations). In the following table the 10 main categories of occupations are listed, representing the distribution of men and women in 2003 in the United States.<sup>7</sup>

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<sup>7</sup> Blau, Ferber, Winkler (2006)

Table 2- 2 Distributions of Men and Women by Major Occupation, 2003

Occupation	Men (%)	Women (%)
Management, business, and financial operations occupations	15.7	13.0
Professional and related occupations	16.6	24.5
Service occupations	12.9	19.6
Sales and related occupations	11.1	12.1
Office and administrative support occupations	6.4	23.0
Farming, fishing, and forestry occupations	1.1	0.4
Construction and extraction occupations	10.8	0.3
Installation, maintenance, and repair occupations	6.6	0.3
Production occupations	9.1	4.7
Transportation and material moving occupations	9.6	2.0
Total employed	100.0	100.0
Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (January 2004)		

According to the table, more women tend to have more professional occupations as architects, dentists, lawyers, or teachers. In contrast, a higher percentage of men can be found in the “blue collar” occupations such as production. These numbers can somehow reflect the differences in occupation, however not only are there occupational differences but there are also divergences in the hierarchies within the same occupations. Even though women are nowadays more representative in managerial positions they remain really scarce. “According to a report ..., only 15.7 percent of all corporate officers and 7.9 percent of top level executives were women in 2002; and women held just 5.2 percent of top-earner spots comprised of the five highest-paid executives in the company.” (Blau, Ferber, Winkler, 2006, p.143).

These numbers illustrate again that women are facing time and again the “glass ceiling” every time they try to reach high positions in companies.

## **2.2. The glass ceiling**

Most women’s careers end because of a so called „glass ceiling“, regardless of their educational background. This fact leads us to the question: why does the glass ceiling exist and why does it arise particularly when women are trying to get into higher-ranked managerial positions?

One of the most important facts is that employees attain certain jobs and positions simply because of the way employers perceive their productivity level; it is said that expectations of female managers are shaped by the stereotype of the average woman, a woman who changes her working place more often than a man because of family conditions and higher risk aversions. But the glass ceiling urges the dismissal of these stereotypes because they are discriminating.

The fact that many women are newcomers to the market may explain the low rate of high-ranking women in the business world. However this cannot be the explanation since with time roles should be changing and women should be moving up the corporate ladder. Therefore being a newcomer is not the reason for the scarce participation of women in management – it is the glass ceiling which hinders their breakthrough into the higher levels. Bertrand and Hallock (2001) concluded from their study that because of the “glass ceiling” women cannot be as successful as men and that they clearly receive less salaries than their male colleagues in the same positions. According to their study 2.5 percent of women obtain approximately 45 percent less income. Although the result is shocking, it should be noted that

nevertheless some women succeed at breaking through the glass ceiling. These women can get into high position and have a great career.

Furthermore, women are said to be worse bosses according to a survey by Catalyst (women in U.S. Corporate Leadership, 2003), and that most men feel uncomfortable if their boss is a woman. However, contrary to this argument, another study concluded that men and women who have had female bosses were happy and willing to continue working with a female boss.<sup>8</sup>

Still, more or less we can point out three barriers which women have to face again and again: „...lack of general management or line experience (the latter refers to positions tied to the firm's „bottom line“); exclusion from informal networks; and stereotyping and preconceptions of women's roles and abilities“(Blau, Ferber, Winkler, 2006).

### **2.3. The Human Capital Model**

Throughout the years human capital has been an important subject for the social and economic development of our community.

Women and men enter the labour market with different qualifications such as work experience and educational background, as well as working hour flexibility and industry of expertise; the higher the difference between men and women in qualification or taste, the higher the possibility of gender pay gap, and the higher the occupational difference.

One should consider why these differences in gender occur. Why do women or men decide to take specific professional paths and why don't they use their chances accordingly? Is their decision freely chosen or does society influence their decision?

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<sup>8</sup> Ferber, Huber, Spitze (1979)

It is important to mention the “societal discrimination” which leads women in the labour market to choose paths which require lower job qualifications than their male colleagues. Whether their choice of work is their own decision or influenced by the societal discrimination is reflected in the value judgement: „Those who are reasonably content with the status quo of gender differences in economic outcomes tend to speak mainly of voluntary choices, whereas those who decry gender inequality in pay and occupations are more likely to focus on societal discrimination.” (Blau, Winkler, Ferber 2006).

The human capital model explains these gender differentials in economic outcomes.<sup>9</sup> Similar to the nature of business, money is invested in innovations and machines to realize future profit. In other words, one has to incur expenditures in order to plan your prospective gain. Human capital functions in almost the same manner as economists like Gary Becker demonstrated; companies employ their personnel and evaluate how much they should invest in their education in form of job trainings, job search and geographic migration. At the end of the day, companies only want to make use of their employees’ knowledge and a perfect performance.

There are several factors which must be considered when talking about human capital: the monetary/non-monetary factors of the investment decision, as well as education and on-the-job training. These investments affect future pay and occupations of women and men.

Based on an Austrian census, “the development of educational attainment in recent years and decades shows a general rise in the level of education among the Austrian

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<sup>9</sup> Blau, Winkler, Ferber (2006)



population. While around 62% of the resident Austrian population aged 15 years and over had only completed compulsory schooling in 1971, this value decreased to 27.1% in 2008. Significant increases are recorded for all types of further education.”<sup>10</sup>

Hence, the education of employees is a significant factor of human capital which shapes the qualification standard of an entire population. However there remains difficulties in measuring human capital as there are some factors missing, factors which go beyond school and general education. These factors which include personal knowledge, specialized skills and general education, are difficult to collect and are the reason for making the information on human capital incomplete.

As mentioned before there are two main investments; one is education and the other is the training to increase productivity and teach new work skills.

These on-the-job trainings are mostly sponsored by employers in the form of courses, or can be less formal such as when employees acquire knowledge from colleagues or ‘learn-by-doing’.

Nevertheless the human capital theory indicates that a “...weaker attachment to the labor force of women who follow traditional gender roles means that they will acquire less of this valuable on-the-job training.” And “...women may also be denied equal access to this type of training due to employer discrimination.” (Blau, Ferber, Winkler, 2006)

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<sup>10</sup> [http://www.statistik.at/web\\_en/statistics/education\\_culture/educational\\_attainment/index.html](http://www.statistik.at/web_en/statistics/education_culture/educational_attainment/index.html)

### 3. Statistical discrimination

Statistical discrimination describes individuals' favour of persons or groups due to the average expectance of their behaviour. Economists like Edmund Phelps, Robin L. Barlett and Timothy I. Miller developed models of statistical discrimination to illustrate how employers discriminate their employees in the long-run to maximize profit.

Overall managers have to make decisions based on incomplete and obscure information. Employers are insecure because they cannot predict the future performance of their employees or the time they choose to leave the company. Hence, it may be that managers invest in trainings and support their employees even though the employees might leave the company and use their new knowledge elsewhere. Another risk arises when companies employ new personnel.

Therefore it is clear that companies try to find as much information as they can get about their possible future employees through assessment centres and expensive test procedures. This information contains among other things former performance, the duration of former work and productivity. Managers might also use the so-called "surrogate information" which is a cost efficient alternative to obtain the missing information about non-observable productivity. Surrogate information can be salary requirement, family status, and gender and so on.<sup>11</sup>

On another note, it is important to mention that „if they believe that, on average, women are less productive or less stable employees, statistical discrimination against individual women may result.“ (Blau, Ferber, Winkler, 2006) In other words, women will be discriminated when hired or paid by their managers based on "their beliefs about group averages".

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<sup>11</sup> Littmann-Wernli, Schubert, Frauen in Führungspositionen – ist die „gläserne Decke“ diskriminierend? (2001)

A good example is the situation of filling a vacancy in a managerial position. There are two main requirements: education level and grades. Managers believe that with the same education (MBA, A-average) women are more likely to be unstable, switching to another company after a while. That is the reason why they would hire women with a lower income or simply hire a male instead.

If managers would invest more in screening to receive more information, they would be able to differentiate between women who are career oriented and women who are not. Regardless of the outcome, the arising expenses wouldn't be lucrative.

This attitude hinders women from gaining an easy access to the labour market. Beliefs, such as "average" women not taking their career as serious as men or ending their careers when they decide to start a family, make penetration to the labour market complicated.

Here we can make two assumptions: first that the employer's arguments are correct and second, that they are incorrect. If the beliefs are incorrect, then they might be considered discrimination as differences between women and men's position and salary are not attributed to their differences in productivity.

If, however, the beliefs about the "average" woman are correct, it would mean that even with incomplete information managers are able to make the right choice; differences between men and women would only result from the differences in their productivity. Hence no discrimination would exist.

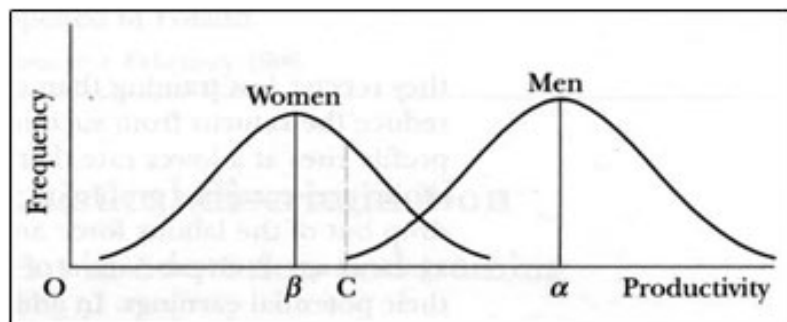
### **3.1. Productivity differences**

When hiring, a company cannot initially determine the productivity of the potential employee, and therefore predicts an average performance.

Since women spend less time in the labour market and interrupt their careers more often than men, discrimination already arises at this initial stage.

Figure 1 clarifies the situation. Assuming incomplete information, the company does not know how productive each of the candidates is and how soon they will leave the company after completing the job-training. Managers will determine the employees' income based on the available information on the average level of productivity; the more it is believed that women spend less time in the job market and hence have less work experience and less job training, the lower the predicted productivity level, and the lower the determined salary.

Figure 1 illustrates perfectly the difference in performance between men and women. At some point the two lines overlap because some women are more productive than men. Average male productivity is presented by  $\alpha$  and  $\beta$  shows the average productivity of women ( $\alpha > \beta$ ).



Graphic 3- 1: The productivity distribution for men and women

Male individual productivity is equal to:

$$\alpha_i = \alpha + u_i$$

Female individual productivity is equal to:

$$\beta_i = \beta + u_i$$

where  $u_i$  represents the individual difference between actual productivity and the average for all men (women).

The average earnings differential shows that there is no difference between men and women on average level of productivity and human capital investment, but only on an individual basis.

Looking on point C in figure 1, we can see that women earn less than their male colleagues while having the same productivity. The figure demonstrates the difference and underpayment of women although men are less productive. „Discrimination here involves the unequal treatment of *individuals* on the basis of actual or perceived differences in the *average* characteristics of the groups to which they belong.”<sup>12</sup>

### **3.2. Feedback Effects**

According to Kenneth Arrow (1973) „the consequences of statistical discrimination are particularly pernicious when accompanied by feedback effects“. (Blau, Ferber, Winkler, 2006, p.227)

Managers view women as unstable in their jobs and as a result less trainings and lower positions where the fluctuation-rate is minimized are offered to them. Thereupon, women don't feel comfortable and do exactly what managers suspected: become unstable and change jobs. Hence the managers' worries are verified and the idea of discrimination is eliminated. That is why women with above-average productivity change corporations often, hoping that someday they will receive what they deserve.

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<sup>12</sup> <http://openlearn.open.ac.uk/mod/resource/view.php?id=176641>

Conversely, if women would get the chance to be highly positioned from the start, which means filling positions where stability is needed, women would feel more comfortable and confident thus meeting the employer's expectations.

Managers continue to be geared towards stereotypes even though research has shown that the fluctuation-rate in managerial positions and the risk behaviour of women versus men do not match average expectations.

#### **4. Trends in Women's Labour Participation in Austria**

In the past ten years, Europe's female participation in the labour market has shown a significant rise, with participation being largely due to part-time jobs. However the fact that female participation has risen does not mean that all positions in the different sectors are being filled.

In 1995 Austrian women's part-time-employment rate was well below the European average. In the meantime Austria achieved 39% participation and exceeded the European average of 31%.<sup>13</sup>

According to the Labour Force Survey of Eurostat (2006), Netherland had the highest proportion with more than 70%, followed by the United Kingdom with about approximately 43%, France with approx. 30% and Hungary with only approx. 5%.

Not only did part-time-employment seem to increase, but also the proportion of fractionally employed women. Most women have to change their labour functions to a certain extent once they start a family and have children, which leads them face another major issue: the insufficient public childcare support offered by the Austrian system.

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<sup>13</sup> Angelo, Moritz, Pirklbauer, Schlager, Woltran, Zuckerstätter, (2006)

Since the global economic recession, unemployment has shockingly affected more women than men; this might be due to the perceived lack of qualifications and/or high absence rate (i.e. maternal leave, family reasons) the market has developed about women.

A study by the WIFO in 2003 showed the income difference between women who have children and childless women taking in consideration: qualification, length of absence and number of children.<sup>14</sup>

In the year 2000, women under the age of 19 who already had one child and worked earned about 540 € per month less than childless women with similar qualifications and job. Those who had two children earned about 690 € less, and those who had three children and more earned about 730 € per month less.

Furthermore, the study illustrated that women who have one child and work part-time until her child turns eighteen would in total earn around 106.600 € less than similarly-qualified childless women. In other words, the longer the mother's stay out of the labour market, the higher financial penalties they have to face. That is why the public childcare offers have to be changed to be more supportive.<sup>15</sup>

#### **4.1. Income growth**

Even though female labour participation increased in the last ten years, there has not been a growth in their income; when compared to men, women still earn less. And the reason is their absence from the labour market and hence the difference in work experience. Since women have less work experience, they also have less chance to get promoted into higher positions. However, even in high managerial positions the

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<sup>14</sup> Guger, Buchegger, Lutz, Hedwig/Mayrhuber, Wüger (2003)

<sup>15</sup> Guger et al.: Schätzung der direkten und indirekten Kinderkosten, WIFO, Wien 2003

gender pay gap is highly visible, and as mentioned before problems such as the “glass ceiling” make it even harder for women to penetrate into the high positions.

The slightest income difference is recorded in the public service where, unfortunately, more and more jobs are being cut recently.

#### **4.2. Did Austria achieve the Lisbon goal?**

At the European council of Lisbon in 2000 the European Union decided to increase the employment rate to 70% by 2010. It was of utmost importance that the rate of women in work should be improved to 60%. Austria asserts now that they already achieved this rate although there are two reasons why their statement proved to be untenable.<sup>16</sup>

First, even though Austria’s employment rate in 2004 was quite high with 60.7%, it is important to note that most of these women were on maternity leave. In other words, these women did not work but received a child allowance, and hence noted as employed.

Second, even if the Lisbon goal was to achieve an average of 60% in the women-employment quota – European countries don’t have to achieve exactly this percentage. Depending on the economic situation, all countries should at least work on the growth of women-employment-rate.

The European Council, calculated, for example that Austria should exhibit a rate of 66.8% until 2010.<sup>17</sup> Comparing Austria with other European countries, we can see that Austria is in a quite high position in women employment with 60.7% – but still far behind the Nordic countries as we can see in Graphic 4- 1.<sup>18</sup>

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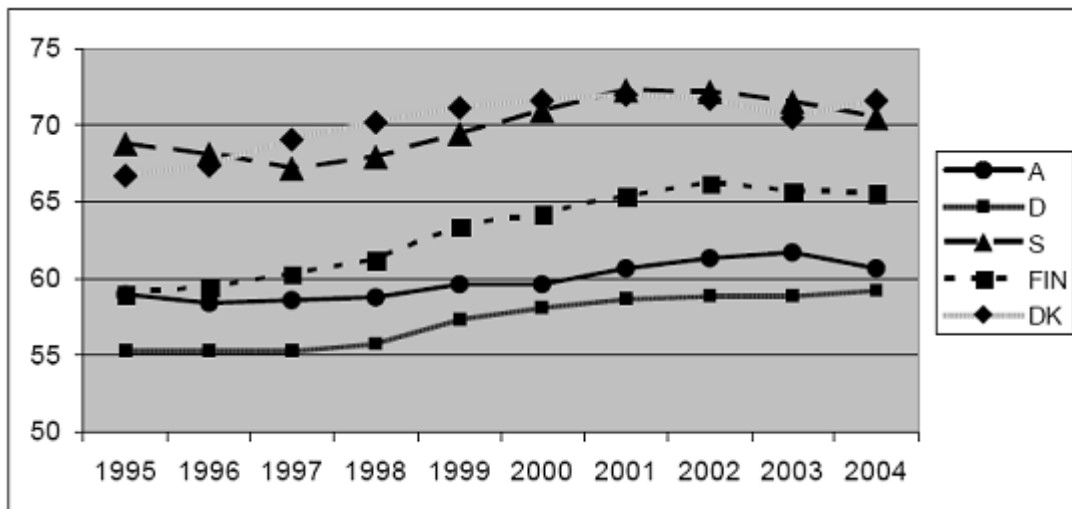
<sup>16</sup> AK Frauenbericht 2006

<sup>17</sup> Employment Rate Scenario for 2010, European Commission, 2000

<sup>18</sup> AK Frauenbericht 2006



Graphic 4- 1: Development of women's employment rate in percent – Austria, Germany, Denmark, Sweden and Finland, 1995-2004



Source: Eurostat Homepage, Strukturindikatoren, November 2005

### 4.3. Austrian Women in Top Management

More and more women are becoming interested in top positions in the fields of economics and politics nowadays; their main goal is to penetrate into these fields and climb up the hierarchy to achieve higher positions. With a well-rounded education, enough work experience and stable employment behaviour, women should not have any problems achieving a perfect, long-lasting carrier. Even though more women are being employed, there are still not enough top corporate jobs.

In 2003 Statistik Austria showed in a study that only 18% of top managerial positions were occupied by women, which equals an increase of 4% since 1995. But in general women represented nearly 32% of highly qualified jobs.<sup>19</sup>

<sup>19</sup> Statistik Austria, Mikrozensus 1995 und 2003

Even though women are entering managerial levels in companies, they are remaining in the lower and average functions of these levels; women are more represented in communication and administrative functions or human resources instead of technical or general managerial positions which would provide a fast promotion in the company.<sup>20</sup>

#### **4.3.1. Evaluation by the Chamber of Labor**

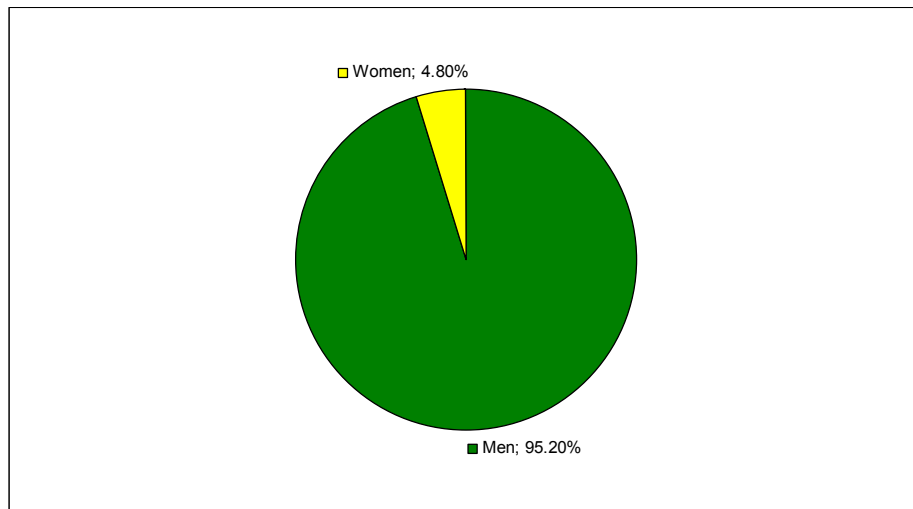
On the basis of the commercial registers of 2009, the Chamber of Labor Vienna analyzed the women participation in the top corporate positions through the study of 200 companies.<sup>21</sup> In these businesses were 621 executives and 1,498 board of directors employed. Only 30 of these 621 executives were women, which is only 4.8%. In 2008 the female participation was even less with 4.6%. Out of the 1,498 board of directors only 8.7% were taken by female mandatory which is 0.3% less than the year before. Hence the study proved that until now there remains a slight change in women participation in high managerial positions.

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<sup>20</sup> Wirth (2001)

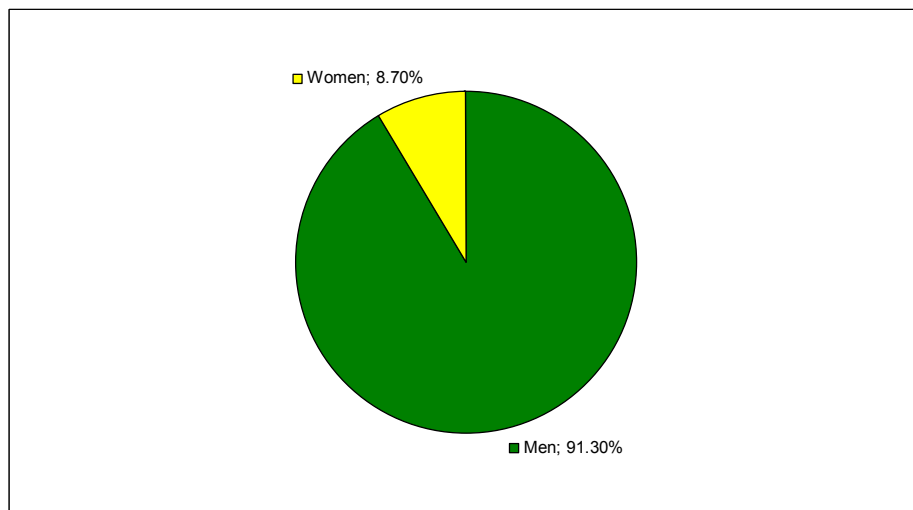
<sup>21</sup> Goldener Trend 2009 und 207, Top 500 Unternehmen

Graphic 4- 2: Allocation of the management



Source: Evaluation – Chamber of Labor 2009

Graphic 4- 3: Allocation of the board of directors



Source: Evaluation – Chambor of Labor 2009

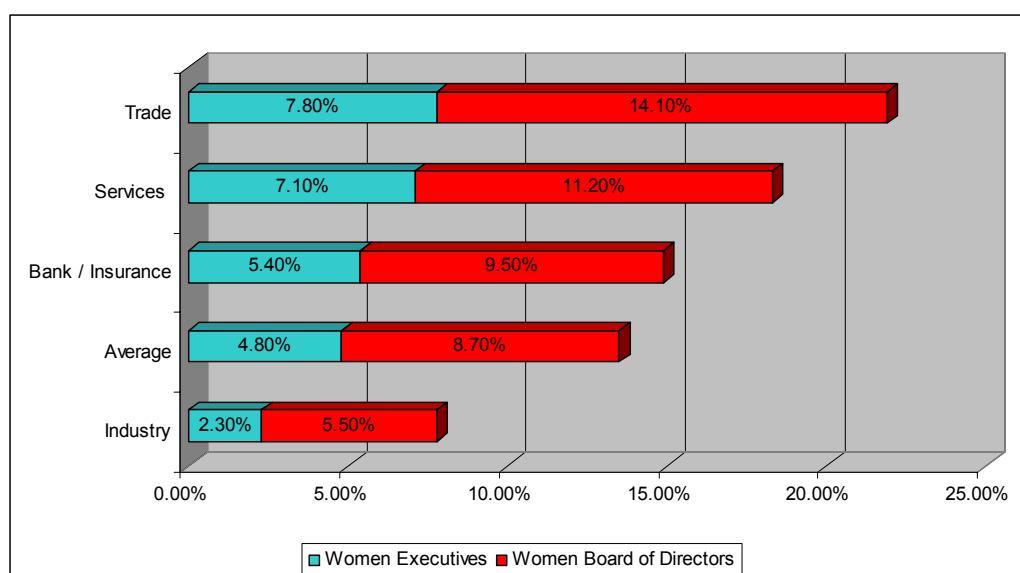
Taking a closer look at the particular sectors we notice that women in high positions are mostly represented in fields of services, banks/insurance and few in industry.

Table 4- 1: Women participation according to the sectors

	Women Executives 08	Women Executives 09	Women BD 08	Women BD 09
Trade	6.3%	7.8%	16.0%	14.1%
Services	6.5%	7.1%	10.7%	11.2%
Bank/Insurance	5.1%	5.4%	10.4%	9.5%
Average	4.6%	4.8%	9.0%	8.7%
Industry	3.0%	2.3%	4.8%	5.5%

Source: Chamber of Labor Evaluation February 2008 and January 2009

Graphic 4- 4: Women contribution in management and board of directors according to the sectors



Source: Chamber of Labor Evaluation February 2008 and January 2009

According to their study, only 16 of Austria's largest 200 companies place women on their board of directors or executive positions.

In 2007 and 2008 only 15 companies hired women in high positions; companies such as UniCredit Bank Austria AG and Niederösterreichische Landes- und Hypothekenbank AG, T-mobile Austria GmbH, BAWAG PSK AG and Vienna Insurance Group don't employ any women in their executive boards and board of directors.

Table 4- 2: Companies with women in executive board and board of directors.

Companies	Sector	Executive Board F	Executive Board Total	Proportion of Women	Board of Directors F	Board of Directors Total	Proportion of Women
H & M Hennes u Mauritz GmbH	Commerce	1	2	50.0%	2	5	40.0%
DCM DECOMetal GmbH	Commerce	1	2	50.0%	1	5	20.0%
Wiener Stadtwerke Holding AG	Service	2	4	50.0%	2	12	16.7%
BKS Bank AG	Industry	1	2	50.0%	2	17	11.8%
Erste Bank d. österr. Sparkassen AG	Bank & Ins.	1	3	33.3%	2	8	25.0%
Österr. Lotterien GmbH	Service	1	3	33.3%	3	20	15.0%
Orange Austria Telecommunication GmbH	Service	1	4	25.0%	1	9	11.1%
Verbund Österreichische Elektrizitätswirtschafts AG	Industry	1	4	25.0%	1	15	6.7%
dm Drogerie Markt	Commerce	2	9	22.2%	1	6	16.7%

GmbH							
Baxter AG	Industry	1	6	16.7%	2	5	40.0%
Zürich Versicherungs-AG	Bank & Ins.	1	6	16.7%	2	8	25.0%
T-Mobile Austria GmbH	Service	1	6	16.7%	1	5	20.0%
Allianz Elementar Versicherungs-AG	Bank & Ins.	1	6	16.7%	1	11	9.1%
Raiffeisenlandesbank OÖ AG	Bank & Ins.	1	6	16.7%	2	30	6.7%
BAWAG PSK AG	Bank & Ins.	1	7	14.3%	2	8	25.0%
Vienna Insurance Group	Bank & Ins.	1	10	10.0%	1	15	6.7%

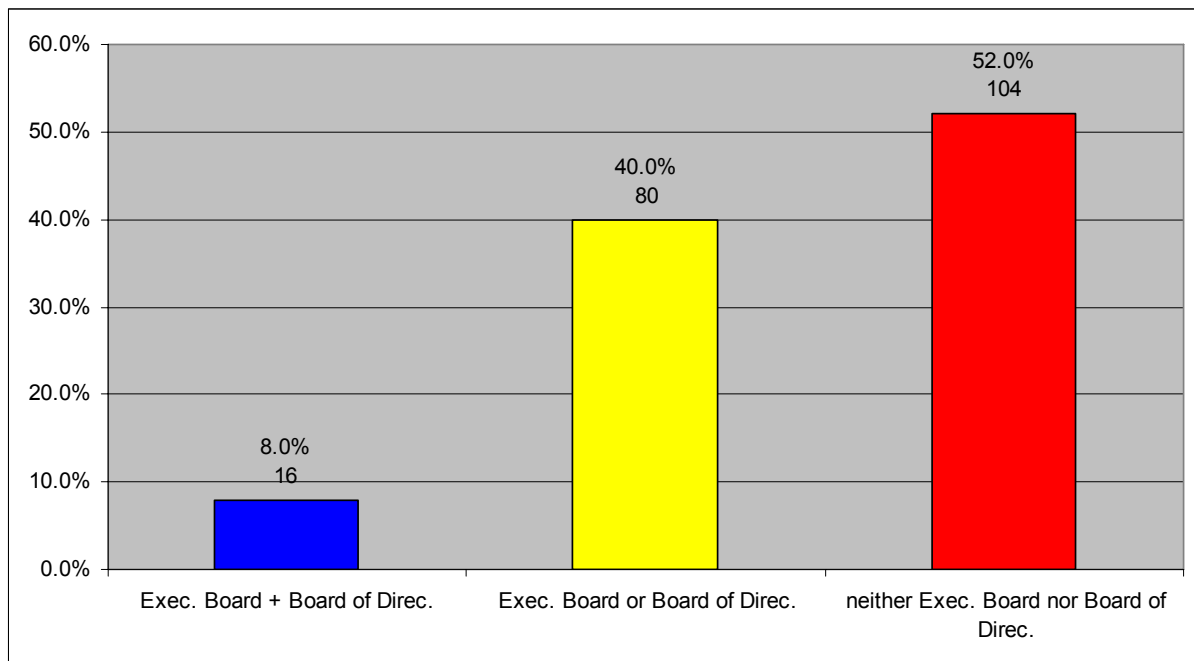
Source: Chamber of Labor Evaluation January 2009

In other words, executive and control positions are dominated by men since according to the chamber of labour 52% of these companies are controlled only by men.<sup>22</sup>

40% of the companies have female professionals in either their board of directors or executive board, and only 8% assign at least one mandate to a woman in both boards.

<sup>22</sup> Chamber of Labour, Women in Executive Positions and Board of Directors 2009

Graphic 4- 5: Allocation of the companies



Source: Chamber of Labor Evaluation January 2009

Since there are no precise arrangements in Austria that have an effect on gender-related allocations of mandates on board of directors and executive boards there won't be any significant advancement in the future. It is distinctive that it is necessary to establish rules for companies to reach a certain quota of women in these high positions. The perfect country is Scandinavia.

In 2006, Norway was the first European country that launched legal regulations concerning a 40% women-quota in companies. Even countries like Spain, Switzerland, France and Denmark are planning to bring these rules in or have already established them. Their allocation of quotas ranges from 20% to 40%.

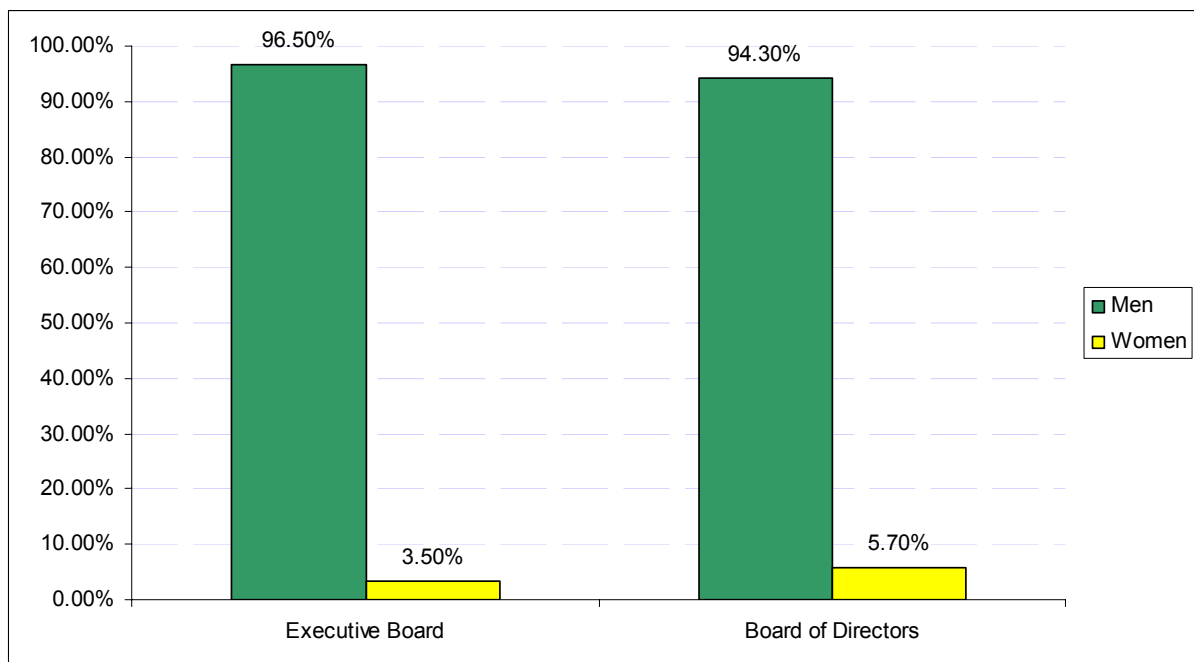
The "Study of Female Board Directors" conducted by the European Professional Women's Network in June 2006 shows that the proportion of women in these boards corresponds to the European average (8.5%) but is still far behind Scandinavian

countries with 22.5%. In the United States of America the percentage of female board-members slightly increased from 13.6% in 2003 up to 14.7% in 2005 and stays excepting Scandinavian companies ahead of all other European firms. In comparison, only 10% of Us-firms don't hire any women in their board of directors whilst in Europe more then 32.2% don't have any female board-member.

#### 4.3.2. Proportion of Women in ATX (Austrian Traded Index) Corporations

Female involvement in the ATX companies is far below the average; only 3.5% women work on the executive board and no more than 5.7% on the board of directors. The reason for this disparity is because most of the ATX companies are in the industry sector where female participation is very low- with 2.3% and 5.5% they turn down the whole allocation.

Graphic 4- 6: Allocation of the ATX-Companies



Source: Chamber of Labor Evaluation January 2009



According to the following table, only a shocking three companies employed women on the executive board and on the board of directors: Erste Bank d. österr. Sparkassen Corp., Verbund Österr. Elektrizitätswirtschafts Corp. and the Vienna Insurance Group.

On the other hand, companies such as Andritz Corp., OMV Corp., Austrian Post Corp., Strabag SE, Telekom Austria Corp. and Wienerberger Corp. gave at least one or two mandatory positions to women on of the board of directors.

As illustrated in the study, a large number of the Viennese stock exchange companies don't employ women in high managerial positions. Women are practically completely excluded from controlling and leading the business. Corporations like Austrian Airlines Corp., BWIN Interactive Entertainment Corp., Vienna Airport Corp., Intercell Corp., Mayr-Melnhof Karton Corp., Palfinger Corp., Raiffeisen International Bank Holding Corp., RHI Corp., Schoeller Bleckmann Oilfield Equipment Corp., Voestalpine Corp. and Zumtobel AG don't have any women on their boards, or as executives and directors.

Table 4- 3: Proportion of women in ATX Corporations

Companies	Executive Board M	Executive Board F	Executive Board Total	Proportion of Women	Board of Directors M	Board of Directors F	Board of Directors Total	Proportion of Women
Andritz AG	5	0	5	0.0%	7	2	9	22.2%
Austrian Airlines	3	0	3	0.0%	12	0	12	0.0%
BWIN Interactive Entertainment AG	2	0	2	0.0%	6	0	6	0.0%
Erste Bank d. österr. Sparkassen AG	2	1	3	33.3%	6	2	8	25.0%
Airport Vienna AG	3	0	3	0.0%	14	0	14	0.0%
Intercell AG	4	0	4	0.0%	6	0	6	0.0%
Mays-Menhof Karton AG	4	0	4	0.0%	11	0	11	0.0%
OMV AG	5	0	5	0.0%	14	1	15	6.7%
Öterr. Post AG	5	0	5	0.0%	11	1	12	8.3%
Palfinger AG	4	0	4	0.0%	9	0	9	0.0%
Raiffeisen International Bank Holding AG	6	0	6	0.0%	6	0	6	0.0%
RHI AG	5	0	5	0.0%	11	0	11	0.0%
Schoeller Bleckmann Oilfield Equipment AG	2	0	2	0.0%	5	0	5	0.0%
Strabag SE	7	0	7	0.0%	8	1	9	11.1%
Telekom Austria AG	2	0	2	0.0%	10	2	12	16.7%
Verbund Österr. Elektrizitätswirtschafts AG	3	1	4	25.0%	14	1	15	6.7%
voestalpine AG	6	0	6	0.0%	14	0	14	0.0%
Wienerberger AG	4	0	4	0.0%	11	1	12	8.3%

Vienna Insurance Group	9	1	10	10.0%	14	1	15	6.7%
Zumtobel AG	2	0	2	0.0%	9	0	9	0.0%
<b>2009 total</b>	<b>83</b>	<b>3</b>	<b>86</b>	<b>3.5%</b>	<b>197</b>	<b>12</b>	<b>210</b>	<b>5.7%</b>

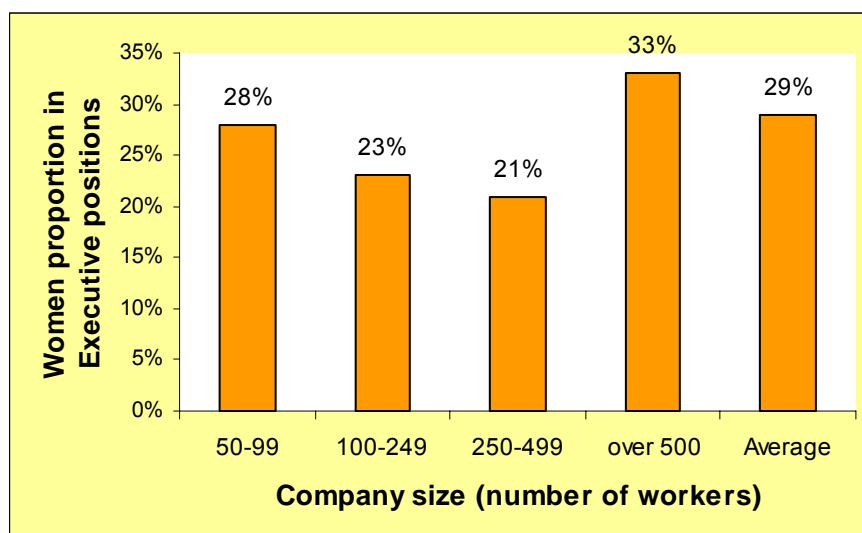
Source: Chamber of Labor Evaluation January 2009

### 4.3.3. Representation of Women in Leading Positions According to the Size of Enterprise

As mentioned before women are far to underrepresented in executive positions.

According to the interviewed companies, the average proportion of women in these positions is 29%. By differentiating these companies according to their size, we can see the following situation (Graphic 4- 7):

Graphic 4- 7: Proportion of Women in executive positions



Source: BMWA and WKO – Women in the economy, Vienna 2005

Based on the above figures, companies with over 500 employees have a rate of 33% of women in managerial positions, followed by a rate of 28% in businesses with a staff number between 50 and 99. The reason for employing so many women in high ranking position might be that more and more measures are being taken to advance women's careers. The large percentage of women in small-to-medium sized companies arises from the fact that most of these companies are family businesses, therefore women stand a better chance at climbing up the corporate ladder fast because sharing and controlling positions in families is common.

## 5. The Data

The personnel records from publicly listed U.S. companies were used for the following empirical analysis. The complete data set consist of 28891 observations and contains information about the employee's name, age, gender, tenure, salary, bonus, education and job position. Bonus includes payments that are cash equivalents of other benefits like for example a corporate automobile or mobile phones.

Looking at the dataset you can easily see, that most of the employees are male. Out of the 28891 observations the female mean is just 0.05 with a standard derivation of 0.2245. In other words this dataset consist of around only 1000 female managers. To understand why the proportion of female top managers is so small and why gender pay gap in these positions is widespread we analyzed the dataset.

Table 5.1. presents the estimation results from a regression analysis. The dependent variable is the logarithm of total compensation. We constructed a dummy variable that is equal to The explanatory variables are a dummy variable for gender age, education, firm size.

In the first model we have two variables: firm size and a gender dummy. The coefficient of the female dummy in the first specification indicates a significant female proportion of 15.74%.

A second variable is added in the second model: Age. By adding age to the second column gap changes and we can see that age is affecting the female dummy by reducing it to 12.38% while the coefficient on firm size barely changes.

Model three includes the educational factor: Bachelors degree, Bachelor of Science, Masters Degree, Master of business administration and the PhD – and leaves out the

age-dummy again. We can see that most women in these firms have a MBA Degree and only a significant of 0.8% have the bachelor's degree.

In the fourth model we concentrate only on the positions, age and firm size. We précised the managerial positions in the dataset to 14 main positions. The significant female proportion is much lower then before and reaches only 5.4%.

The fifth one includes all the dummies we have: firm size, female proportion, Age, education and positions. Hence, by including all the dummies in the analysis we can see that the significant female percentage declines from column four to column five.

The last column describes the mean data of all the variables. We can see that on an average only 5.3% women are working in the top management positions in these firms and that out of these 26164 observations most of them have a bachelor's degree. Only 8.69% have a Master's degree and less then 3% have the PhD. Remarkable in this column in the mean value of the position: OFF – any officer-position with 21.14%.

Table 5- 1:

Variable	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Mean
Firm Size	0.2869 (0.0021)	0.2867 (0.0020)	0.2862 (0.0021)	0.2910 (0.0021)	0.2919 (0.002)	12.0689
Female	-0.1574 (0.2349)	-0.1238 (0.0226)	-0.1563 (0.0235)	-0.054 (0.0226)	-0.0415 (0.0218)	0.053
Age		0.007 (0.0005)	-	-	0.0005 (0.0006)	50.6604
BA			-0.0088 (0.0217)	-	0.0177 (0.02)	0.1432
BS			-0.075 (0.0279)	-	-0.0752 (0.0257)	0.0783
MA			-0.0189 (0.0235)	-	-0.0001 (0.0216)	0.0545
MBA			0.04 (0.0190)	-	0.0633 (0.0177)	0.0869
PhD			0.0232 (0.0312)	-	0.0418 (0.0289)	0.0298
Vice				0.4636 (0.1294)	0.4262 (0.1238)	0.0152
CEO				0.3528 (0.1521)	0.3243 (0.1455)	0.1851
CFO				-0.0851 (0.1319)	-0.1084 (0.1261)	0.1485
COO				0.0056 (0.1344)	0.0012 (0.1287)	0.0295
OCO				-0.0551 (0.1367)	-0.0773 (0.131)	0.0171
OFF				-0.0757 (0.0759)	-0.0767 (0.0726)	0.2114
EVP				0.1699 (0.1239)	0.1339 (0.1186)	0.0857
SVP				-0.0287 (0.1239)	-0.0539 (0.1185)	0.0883
VP				-0.0977 (0.1235)	-0.1216 (0.1182)	0.1245
GVP				-0.0256 (0.1213)	-0.0489 (0.116)	0.0772
President				0.2279 (0.1511)	0.209 (0.1445)	0.1824
Others1				-0.0566 (0.1279)	-0.0865 (0.1224)	0.0193
Director				-0.1263 (0.1484)	-0.1253 (0.1419)	0.0285
Others2				-0.2119 (0.0895)	-0.2032 (0.0858)	0.3969
Nr. of Obs	26383	26164	26383	26383	26164	26164
R- squared	0.4034	0.4272	0.4040	0.4521	0.4752	

## **6. Closing the gender pay gap**

The European Commission presented this year a report about the progress on gender equality. Unfortunately until today there are still gaps in several areas. “While the employment rate of women has been steadily rising over the last years (now 58.3% for women against 72.5% for men), women still work part-time more often than men (31.2% for women and 7.7% for men) and they predominate in sectors where wages are lower (more than 40% of women work in health, education and public administration – twice as many as men). However, women represent 59% of all new university graduates. “(European Commission, <http://ec.europa.eu>)

Another report by the European Commission indicates that women are even underrepresented in European politics. While the proportion of women in the national parliaments rose in the past years about 50 percent (from 16% in 1997 to 24% in 2008), more women should get the chance to get into politics. Still it is remarkable that the European parliament has a 31 percent proportion of women.

This deficit can be yet seen in the central banks of the 27 European member states – because there all high management positions are taken by men. In general, most positions in the upper echelon are occupied by men and over the years this situation is barely changing.

For more than 50 years the European Commission to fight these inequalities, by trying to provide a basis for fairness in the working environment – which simply means: same income for the same work. Hence they will make sure that the employee attitude will be much better and take care of equal society. That is the reason why the European Commission is working together with the member states, the European parliament and the European social partners. To achieve a reduction of



the gender pay gap article 141 of the European treaty represents the basis for realizing equality:

- “The 1975 Equal Pay Directive: This bans discrimination on grounds of sex with regard to all aspects and conditions of pay. In particular, where a job classification system is used for determining pay, it must be based on the same criteria for both men and women and so drawn up as to exclude any discrimination on grounds of sex.
- The 2002 Directive on equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions. This Directive, which also applies to pay, introduces definitions of direct and indirect discrimination and requires Member States to set up Equality Bodies to promote and support equal treatment between women and men.
- Seven Directives concerning equal treatment between women and men (including the 1975 and 2002 Directives) were incorporated in a single Directive adopted in 2006. It brings more clarity to Community law on the field of equal treatment between women and men.” (European Commission)

Hence it is illegal to pay women less than men or discriminate them in any other form. The European Commission ensures that the legislation will be adopted in the right way and those firms and employers will keep to the rules. After all employers and their employees will benefit from it, productivity will definitely improve and the business will be casted in a positive light.<sup>23</sup>

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<sup>23</sup> <http://ec.europa.eu>

## 6.1. Legislation Initiatives to tackle the gender pay gap in Europe

- *“In Sweden, the 1991 Equal Opportunities Act provides that all employers with a minimum of ten employees are required to prepare an annual equal opportunities plan as well as a plan of action for equal pay. For further information see the websites of the Government Offices of Sweden and Gender Equality of Sweden.*
- *In UK, the Equality Act (2006) places a statutory duty on all public authorities to have due regard to the need to eliminate unlawful discrimination and harassment and promote equality of opportunity between men and women.*
- *In Spain, a new gender equality law was adopted in March 2007. The law has specific provisions on fighting discrimination, allowing positive action measures in collective agreements, encouraging reconciliation of work and family life, promoting equality plans and fostering good practices.*
- *In France, legislation was introduced in 2006 on equality of remuneration between men and women, an obligation for enterprises to take steps to close the gender pay gap by 31 December 2010 and to provide for catch up salary payments to be made following maternity or adoption leave. The legislation establishes the obligation of gender pay bargaining in companies and sectors.*
- *In Hungary, legislation has been introduced to promote voluntary regulation on equal opportunities. An annual Equal Opportunity Plan is to be carried out by public employers and private employers with State-owned shares over 50%.*
- *In Italy, legislation obliges public and private firms employing more than 100 employees to provide statistical information on the employment conditions of their employees broken down by gender every two years. Companies have to give the report to local equality advisors and trade unions.*

- *In Luxembourg, legislation requires employers to negotiate equal treatment between men and women, including the negotiation of an equality plan. All collective agreements must provide for the application of the principle of equal pay for men and women.” (<http://ec.europa.eu>)*

## **6.2. Other initiatives**

- *“In Finland a tripartite Equal Pay programme for 2007-2011 has the aim to reduce the gender pay gap from around 20% to 15%. The programme includes actions on desegregation, the development of pay systems, measures to support women’s careers, and calls for the social partners to establish agreements to reduce the pay gap.*
- *In Sweden, there is a duty on employers with ten employees or more to provide gender specific pay statistics if requested. Trade unions or employee representatives have the right to request such statistics.*
- *In France, employers have a duty to provide information about women’s and men’s wages, which has to be undertaken on an annual basis before pay negotiations. The legislation was strengthened in 2000 with provisions requiring employers to initiate annual negotiations on gender equality.*
- *In Portugal, there is an obligation for employers to display the earnings of employees, with the exception of central, regional and local administrations, public institutes and other collective public entities, as well as employers of domestic service workers.*
- *In Germany, the new Earnings Statistics Act, implemented in 2007, provides a data base for research on the development and causes of pay inequality, with possibilities for counter strategies to target the causes.*

- *In Belgium a guidebook on job classification available for employers and trade unions to avoid and eliminate gender bias in pay systems (2006).*
- *In the UK higher education sector a joint working party on equal pay was established with the aim of tackling the wide-ranging pay discrimination identified in a report on pay discrimination. This covers all categories of workers in higher education including manual, administrative and teaching staff. A national enabling agreement and national guidelines for local implementation have been agreed.*
- *In Cyprus, the government agreed to implement job evaluation in both the public and private sectors in order to address pay inequalities.*
- *In Germany, the federal government has developed a code of practice on the implementation of equal pay for work of equal value” (<http://ec.europa.eu>)*

### **6.3. Corporate Social Responsibility**

Corporate Social Responsibility is defined as a program that unites successful economic acting with social and environmental liability.

“CSR Europe is the leading European business network for corporate social responsibility with around 80 multinational corporations and 25 national partner organisations as members”<sup>24</sup>

CSR gets the best out of a company to push the company inside and outside. The program enhances innovations to reach a certain competitive advantage. Moreover it will help to amend the working atmosphere and employee’s satisfaction and hence raise the employee’s identification with the company. Achieving these goals and integrating the ideas of Corporate Social Responsibility, the company will have a

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<sup>24</sup> <http://www.csreurope.org>

better image and the perfect positioning in public. To put it in other words: member companies integrate Corporate Social Responsibility into they every-day business.

### **6.3.1. The History of CSR**

Corporate Social Responsibility is established since 1995 by senior European business leaders and has since than “grown to become an inspiring network of business people working at the very forefront of CSR across Europe and globally.” (<http://www.csreurope.org/pages/en/faq.html>)

The idea was to support developing initiatives on Corporate and sustainable development.

In 1997 CSR Europe tackled its first projects concerning diversity in companies. Starting the European year against racism the initiative was successful and companies began sharing their information, knowledge and practices to undergo discrimination at the working place and hence create a better social coexistence.

Since Corporate Social Responsibility follows the same targets as development work one has to ask whether CSR can be applicable in development politics.

In 2002 the European Commission appealed to the CSR for the first time and defined the program as follows: "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis".<sup>25</sup>

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<sup>25</sup> Cf.: <http://www.csreurope.org>

### **6.3.2. CSR Austria**

Ever since Corporate Social Responsibility is gaining more and more importance the federal ministry of economic, family and youth, the industrial association and the Austrian federal economic chamber decided to start the program focused on Austrian companies. Since 2002 CSR Austria is making an essential contribution concerning economic issues and sustainability in the Austrian federal government.

One of the main themes was the exchange of information of stakeholders, social partners and NGOs to finally cause Austrian companies to provide a better social and economic and ecologic responsibility. To put it in another words: to improve the social market system. With this commitment CSR Austria tries to expand the competitive advantage of Austrian firms hence we can see in the past years the more sustainable companies are the higher their esteem and the more they include their knowledge in their investment decisions.<sup>26</sup>

Three years later, after being really successful with CSR Austria, the Austrian Business Council for sustainable development (ABCSD) founded a promising platform called: RespACT.

### **6.3.3. RespACT and Trigos**

The “Austrian business council for sustainable development is the leading platform for Corporate Social Responsibility (CSR) and Sustainable Development in Austria. This association emerged in October 2007 from the fusion of the Austrian Business council for Sustainable Development (ABCSD) and respACT Austria.” (<http://www.respect.at/content/site/english/index.html>)

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<sup>26</sup> Cf.: <http://www.trigos.at/content/trigos/uebertrigos/untverantwortung/index.html>

Looking at RespACT Austria we will find the same ideas and targets as at CSR, trying to upgrade concepts and projects concerning the social responsibility and sustainability. But since we have in Austria more small- and medium-sized enterprises it is pretty hard to integrate the ideas and experiences.

Since 2003 a unique platform which consists of Economic and Nongovernmental organisations is trying to encourage more and more firms to integrate this program into their company Austria honours every year a company with the Trigos award, which is the Austrian award of Corporate Social Responsibility. This platform set itself the goal to follow the principle of sustainability and a responsible management in Austria for a better leverage. Since 2007 respACT is in charge of Trigos. The responsible organizations of Trigos are: Caritas, Austrian Red Cross, SOS Kinderdorf, Umweltdachverband, The Austrian Federal Economic Chamber, Industrialists' Association, Business Data Consulting Group, respACT und Die Presse. Since their foundation more than 500 innovative projects were handed in and more than 50 enterprises were rewarded in categories like market, community, ecology and employment. Receiving the Trigos award is not only internal a huge success but also optimizing their image in public fields. It is approved that only preparing the company for this participation and nomination implicates a better strengthen and weakness profile. Furthermore the enterprise is more present in the media and gets more attention, and employees are more motivated.

## **7. Conclusion**

The purpose of this thesis has been to link the gender wage gap in top corporate jobs to discrimination in developed countries. The regression analysis showed that by adding up variables like firm size and age, education or managerial positions the coefficient of the female dummy changed significantly.

There are many reasons why different treatments occur towards men and women in business-life. Unfortunately, in management it is frequently the case that women fear competition and men compete too much given their abilities – which was clearly shown by Niederle and Versterlund (2005) in their experimental study.

Very often women are said to be undervaluing the quality of their work by bargaining their entry-level-salary. Hence they start their managerial jobs with a lower income compared to their male colleagues with the same job but just bargained their salary better. By the time the pay gap will grow and it will be difficult to close this gender pay gap and to come closer to equality.

Nevertheless besides their managerial job, women have to additionally follow up their responsibilities of family and home. As soon as family-planning comes up, it is most of the time impossible to keep on working full-time or work on the same level like before, especially after giving birth most women cannot continue working where they quitted.

Apart from all the theories and hypothesis it is clear that the main problem for gender wage gap in top corporate job is discrimination and in contradiction to Adams and Ferreira (2009) it is demonstrated by Norway that legal restraints can impair the gap but at the end it will not change the fundamental attitude of an individual.



Finally we should emphasize the words of FRA Director Morten Kjærum who warned us at this year international Women's Day 2009: "A lot of work remains to be done on the issue of gender equality."

## **8. Abstract (E)**

Over the past years employee relationships changed a lot – less discrimination and lower income differences between gender and races – but still there was not enough effort made to eliminate these inequalities. Discrimination - especially in the top management - still occurs; women are barely seen in these positions and even if, they get lower income than their male colleagues.

Globalization and the growth of world trade have added a new competitive force against discrimination, one that is surely helping to the various types of minorities and women. Costs of production are raised when employers discriminate against various minorities in their country. Employers in other countries not burdened with costs of discrimination will be able to undersell discriminating employers in the international market for goods. This too acts as a force lowering the impact of discriminating employers, and reduces the international competitiveness of countries where discrimination in employment is dominant.

This thesis highlights some of the main reasons why this gender pay gap still occurs. We focus on the different types of gender discrimination and assume important hypotheses why women get paid less in the top management jobs and why their proportion is until today is too low. Trying to find the factors which could possibly have an impact on these inequalities we analysed the dataset of 3678 firms in the United States. Focussing on women and their proportion with regard to several variables like education or position.

Recognising that even with the same education and sitting in the same managerial position the gender wage gap still occurs because of the discrimination-factor which can be reduced by bringing companies closer to corporate social responsibility or by legal restrictions.

## 9. Abstract (D)

In den letzten Jahren hat sich in der Arbeitswelt vieles zum Besseren geändert, es gibt weniger Diskriminierung und niedrigere Gehaltsunterschiede zwischen Geschlechtern und Rassen. Jedoch wurde bis heute nicht genug Einsatz gegeben um diese Differenzen komplett zu eliminieren. Diskriminierung – vor allem in den Topmanagement Ebenen – ist in der heutigen Zeit immer noch vorhanden; Frauen sind kaum in den höheren Positionen der Firmen gesehen und die, die es geschafft haben, bekommen oft niedrigeres Gehalt als ihre männlichen Kollegen.

Diese Arbeit hebt einige Gründe hervor wieso Gehaltsunterschiede zwischen den Geschlechtern im Topmanagement-Bereich immer noch vorkommen. Wir konzentrieren uns dabei auf die unterschiedlichen Typen von Geschlechterdiskriminierung und beleuchten einige Hypothesen, wieso Frauen in höheren Positionen schlechter bezahlt und ihr Anteil bis heute so gering ist.

Um die Faktoren zu finden, die möglicherweise einen Einfluss haben könnten auf diese Ungleichheiten, wurde ein Datenset analysiert. Dabei wurden 3678 Firmen aus den Vereinigten Staaten zur Hand genommen und mit den gegebenen Informationen genau betrachtet – dabei wurden vor allem der Frauenanteil und Variablen wie zum Beispiel Bildung und Positionen verglichen. Bemerkenswert war dabei, dass Frauen und Männer, die in der gleichen Firmenposition sitzen trotzdem unterschiedlich verdienen – was natürlich auf den Diskriminierungsfaktor zurückzuschließen ist.

Diesen Faktor kann schwer reduziert werden – es muss daran gearbeitet werden, indem man Firmen Corporate Social Responsibility nahe bringt und verständlich macht, dass Diskriminierung letztendlich für jedes Unternehmen konstruktiv ist.

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