

EQUALITY THROUGH TRANSPARENCY

**Will gender wage transparency measures close the gender pay gap
in Austria?**

By
Anna Fasching

Submitted to Central European University - Private University
Philosophy, Politics and Economics

In partial fulfilment of the requirements for the degree of Bachelor of Arts.

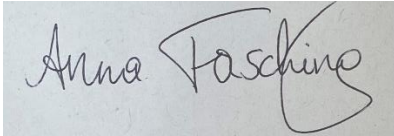
Supervisor: Mathias Möschel, PhD

Vienna, Austria

2024

COPYRIGHT NOTICE

“I declare that this thesis is my independent work. All sources and literature are properly cited and included in the bibliography. I hereby declare that no portion of text in this thesis has been submitted in support of another degree, or qualification thereof, for any other university or institute of learning.”

A handwritten signature in black ink on a light-colored background. The signature reads "Anna Fasching" in a cursive script. The first name "Anna" is written in a simple, flowing cursive, and the last name "Fasching" is written in a more elaborate cursive with a large, sweeping 'F' and a long, trailing 'g'.

Abstract

This thesis investigates the persistent gender pay gap in Austria and the role of wage transparency measures in its narrowing. It finds that despite being portrayed as a promising solution, these measures have not been particularly efficient. As a potential reason for this, it discusses the importance of care work, which is expected to be done by women based on traditional societal attitudes. It was found to be a major contributor to the gender pay gap because its unpaid form takes away from women's overall available time spent in paid jobs and its paid form tends to be low-paid. However, the thesis argues that wage transparency measures might still be a valuable tool. From a philosophical standpoint, it reasons that people deserve to access information provided through wage transparency measures. Finally, it suggests policy action that potentially improves the efficiency of Austria's wage transparency measures, reduces their expected drawbacks, and boosts the narrowing of the gender pay gap overall.

Keywords: Gender Pay Gap, Wage Gap, Pay Transparency, Gender Equality

Table of Contents

1. Introduction	1
2. What are gender wage transparency measures?.....	4
2.1 How are they applied in Austria?	5
2.2 What was the impact of Austria's wage transparency measures so far?	6
2.3 How are Austria's wage transparency measures affected by the EU?	7
2.4 Development of the gender pay gap in Austria over time.....	8
3. What are the expectations linked to wage transparency measures?.....	10
3.1 Expected benefits	11
3.2 Expected drawbacks	12
4. The moral case about wage transparency	15
4.1 The inherent worth of knowledge	16
4.2 Narrowing the gender pay gap through improvements	17
5. Policy implications.....	20
5.1 Care work	20
5.2 Levelling up	22
5.3 Publishing Reports	22
6. Conclusion.....	24

1. Introduction

Official statistics reveal that on average, women in Austria tend to earn less than men. This gap between their wages is called the gender pay gap. Several factors are responsible for its existence, such as job choice or working hours as well as societal expectations for women to do unpaid care work. But even when adjusting for these objective factors and comparing women and men doing equal work there is still a gap between their wages.¹ This gap is called the adjusted gender pay gap and, as will be shown later, it is also a form of discrimination against women.

Closing the gender pay gap is often framed as an issue of knowledge. This is shown by the strategy presented by the European Parliament for fighting the gender pay gap.² The argument goes as follows. Women underestimate what employers are willing to pay for their work and therefore tend to be more reluctant to negotiate for higher wages. Consequently, the employers will not pay them the maximum of what they would be willing to do. If women knew the wages of men in similar positions, who in general tend to ask for higher wages and negotiate them more frequently, they could estimate themselves more easily. Therefore, transparency measures have the potential to encourage women to realize equal pay demands but also to discourage employers from paying men disproportionately more than women in similar positions. Many countries such as Austria and Norway as well as supranational

¹ Bundeskanzleramt Österreich, "Einkommen und der Gender Pay Gap," Gender Pay Gap 2010-2022, accessed March 17, 2024, <https://www.bundeskanzleramt.gv.at/agenda/frauen-und-gleichstellung/gleichstellung-am-arbeitsmarkt/einkommen-und-der-gender-pay-gap.html>.

² The European Parliament, "Gender Pay Gap: Deal Reached on Binding Pay-Transparency Measures," News | European Parliament, December 15, 2022, <https://www.europarl.europa.eu/news/en/press-room/20221212IPR64524/gender-pay-gap-deal-reached-on-binding-pay-transparency-measures>.

institutions like the European Union (EU) have relied on this argumentation and have introduced transparency measures.³

One main argument that this thesis is using as a premise, is the point that the gender pay gap is a form of discrimination based on gender. What is very often replied to this argument, is that the gender pay gap is mostly a result of job choice as well as working hours and that women could simply work longer hours or work in a field that pays higher salaries, which is predominantly dominated by men at the moment.⁴ Such factors do indeed influence the differences in remuneration between men and women and contain a separate debate in themselves (discrimination that work that is predominantly done by women has a lower remuneration on average, discrimination that women do not have the same chances of pursuing a full-time career as men). This thesis will only discuss the influence of societal expectations around care work towards women and show how they put women in a disadvantaged position in the job market. The data used in this thesis relies on the data provided by Eurostat and other official organizations which is not adjusted. As a result, the gender pay gap depicts not only the discrimination that is solely a result of gender but also the influence of other factors as the ones just mentioned.

The definition of the gender pay gap that this thesis will be applying is the one provided by Eurostat which defines the unadjusted gender pay gap as the “*difference between average gross hourly earnings of male and female employees as % of male gross earnings.*”⁵ Since this thesis relies on the premise that the gender pay gap is a form of discrimination it also applies a clear definition of discrimination. The definition of discrimination which is

³ Albertine Veldman, “Pay Transparency in the EU: A Legal Analysis of the Situation in the EU Member States, Iceland, Liechtenstein and Norway.” (Luxembourg: Publications Office, April 2017), <https://data.europa.eu/doi/10.2838/148250>.

⁴ Kim Elssesser, “The Gender Pay Gap And The Career Choice Myth,” Forbes, April 2019, <https://www.forbes.com/sites/kimelssesser/2019/04/01/the-gender-pay-gap-and-the-career-choice-myth/>.

⁵ Eurostat, “Gender Pay Gap Statistics,” Statistics Explained, March 8, 2024, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics.

used in this thesis is the one applied in the EU's directive on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. “ (a) ‘direct discrimination’: where one person is treated less favourably on grounds of sex than another is, has been or would be treated in a comparable situation; (b) ‘indirect discrimination’: where an apparently neutral provision, criterion or practice would put persons of one sex at a particular disadvantage compared with persons of the other sex, unless that provision, criterion or practice is objectively justified by a legitimate aim, and the means of achieving that aim are appropriate and necessary;”⁶

Given this definition, one may conclude that a woman, who is getting paid less than a man for equal work, under EU law suffers a form of indirect discrimination. The same holds for the parts of the gender pay gap overall that are explained only by the difference in gender. The wage system in Austria which will be introduced in 3.2. does not stipulate different levels of remuneration based on gender, which would be a form of direct discrimination. This is because the current legal framework is held general and applies to both genders, however, the option for individual amendments and sector-specific differences provides space for indirect discrimination.

After being one of the countries with the highest gender pay gaps for years, Austria first introduced transparency measures in 2011 but it has still had a relatively high gender pay gap even after that.⁷ This seemingly contradictory situation motivates the research question of this thesis. **How can wage transparency measures be a more efficient tool for closing the gender pay gap in Austria?** To answer this question, the thesis looks at wage transparency measures from different perspectives. Section 2 introduces the general concept of wage

⁶ “Article 2, Point 1. (a) and (b) of Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the Implementation of the Principle of Equal Opportunities and Equal Treatment of Men and Women in Matters of Employment and Occupation (Recast),” 204 OJ L § (2006), <http://data.europa.eu/eli/dir/2006/54/oj/eng>.

⁷ René Böheim and Sarah Gust, “The Austrian Pay Transparency Law and the Gender Wage Gap,” *IZA World of Labor*, no. 23 (February 2022), <https://doi.org/10.15185/izawol.310>.

transparency measures, what they look like in Austria, what they have already accomplished, and how they will be affected by the EU's plan for more wage transparency among its member states. It also analyses how the gender pay gap has evolved since the measures were introduced. In section 3, it gives an overview of the expected benefits and drawbacks. Section 4 challenges possible criticism of wage transparency measures on a philosophical level. Section 5 concludes by discussing potential further measures for increasing the efficiency of wage transparency to close the gender pay gap.

2. What are gender wage transparency measures?

According to Veldman, the EU forbids discrimination, and employees need to complain and fight if they notice discrimination in terms of different pay for equal work. Veldman argues that the issue that arises in this context is that depending on the legal framework of a country, employees might face difficulties in finding information on what others in similar positions are getting paid. This situation makes it easy for employers to hide discrimination, as Veldman puts forward. Very often, he stresses, companies do not gather aggregate data on remuneration based on gender, which is why it can be hard to statistically evaluate the gender pay gap at the company level. Moreover, merely having this data would not yet suffice for finding out whether existing differences result from gender biases. The data would need thorough analysis including the comparability of jobs.⁸

To gain access to this data, to be able to work with it, and to consequently draw conclusions about the gender pay gap from it, the EU put forward four pay transparency measures in 2014. Member States were suggested to implement at least one of them. These measures were the following:

⁸ Albertine Veldman, "Pay Transparency in the EU," 21–23.

*“1) an employee’s right to request information on gender pay levels for the same work or work of equal value; 2) an employer’s duty to report on average gender pay levels by category of employee or position; 3) an employer’s duty to conduct an audit on pay and pay differentials on grounds of gender; and 4) measures to ensure that the issue of equal pay, including pay audits, is discussed at the appropriate collective bargaining level.”*⁹

These measures were evaluated in 2017 and it was found that for them to work certain preconditions need to be in place. There needs to be a developed system of pay and companies need to have administrative resources and knowledge for collecting the data. In countries where these conditions are not met and where remuneration depends largely on personal negotiation efforts are best put into establishing such a system first.¹⁰

2.1 How are they applied in Austria?

Austria has ranked among the countries with the highest gender pay gap in the EU over the last decade.¹¹ At the same time, it was one of the earliest to adopt wage transparency measures.¹² These measures are often presented as a crucial element of an efficient strategy for closing the gender pay gap. Surprisingly though, the introduction of Austria’s transparency measures has not led to a larger decline of the gender pay gap compared to other EU countries, according to Eurostat. In 2022, its gender pay gap of 18.4% is still the second highest of all EU countries only topped by Estonia and over 5% larger than the EU’s average.¹³ One aim of this thesis is therefore to find out whether transparency measures were wrongly portrayed as an efficient tool or if Austria has failed to implement them appropriately.

⁹ Albertine Veldman, 24.

¹⁰ Albertine Veldman, “Pay Transparency in the EU.”, 58-59.

¹¹ Bundeskanzleramt Österreich, “Einkommen und der Gender Pay Gap.”

¹² Böheim and Gust, “The Austrian Pay Transparency Law and the Gender Wage Gap.”

¹³ Eurostat, “Gender Pay Gap Statistics.”

Böheim and Gust discuss Austria's first introduction of wage transparency measures in 2011. They explain that it requires all companies with over 1000 workers to issue anonymized wage reports every two years. Moreover, they point out that these reports have to include information about remuneration levels and what the distribution of men and women in these levels looks like. Furthermore, median wages have to be aggregated among at least 5 workers for reasons of data privacy and all this information has to be handed over to the works council, according to Böheim and Gust. In case there is no works council, the reports need to be accessible by the workers directly.¹⁴ They do not need to be published, however, a lot of companies from the public sector provide online access to them.¹⁵

According to Böheim and Gust passing it over to employees is not allowed because of a secrecy obligation that may only be surpassed in case of an equal pay claim in front of court. This law was extended several times. In 2012, it was extended to companies with over 500 workers, in 2013 to over 250 workers, and in 2014 to over 150 workers. Works councils are given the legal framework for enforcing such reports and in case there is no works council the law provides the employees with it.¹⁶

2.2 What was the impact of Austria's wage transparency measures so far?

Gulyas et al. argue that current research has not found much evidence in favour of wage transparency measures as a tool for closing the gender pay gap. They investigate the causal effect of the measures introduced in Austria and find that the impact was close to zero. By *“using different control variables and alternative sample restrictions on top-coding, firm*

¹⁴ Böheim and Gust, “The Austrian Pay Transparency Law and the Gender Wage Gap,” 25–26.

¹⁵ Andreas Gulyas, Sebastian Seitz, and Sourav Sinha, “Does Pay Transparency Affect the Gender Wage Gap? Evidence From Austria,” *ZEW Centre for European Economic Research*, no. 21 (October 2016): 6, <http://dx.doi.org/10.2139/ssrn.3949832>.

¹⁶ Böheim and Gust, “The Austrian Pay Transparency Law and the Gender Wage Gap,” 25.

size windows, and compliance with treatment assignment".¹⁷ they find that the measures did not narrow the gender pay gap by more than 0.4 percent. Even when extending the sample restrictions to larger firms, they find similar results. Moreover, they assume that the aim of wage transparency measures is not only the narrowing of the gender pay gap, but also an increase of women's wages.¹⁸ This thesis will pick up on this expectation later on when it discusses the potential drawbacks of wage transparency measures in section 3.2.

2.3 How are Austria's wage transparency measures affected by the EU?

While the EU's first introduction of pay transparency measures, discussed earlier in this section, relied heavily on the countries' self-responsibility, the EU introduced a set of mandatory measures in 2023 under the "Pay Transparency Directive". This element of obligation makes it seem like a more rigorous attempt to establish pay transparency. It includes measures that oblige companies to report their levels of remuneration based on gender and to intervene in case their gender pay gap exceeds 5%. Moreover, after an adaptation period of 3 years, employers that do not comply will face fines and need to compensate victims of discrimination.¹⁹

These new measures will also influence Austria's pay transparency strategy. According to Sandra Konstatzky, the head of Austria's "Equal Treatment Ombudsperson's Office"²⁰, the following will change. In an interview she explains that employees will gain easier access to

¹⁷ Gulyas, Seitz, and Sinha, "Does Pay Transparency Affect the Gender Wage Gap? Evidence From Austria," 4.

¹⁸ Gulyas, Seitz, and Sinha, 8.

¹⁹ Council of the European Union, "Timeline Pay Transparency," Consilium, April 24, 2023, <https://www.consilium.europa.eu/en/policies/pay-transparency/timeline-pay-transparency/>.

²⁰ oesterreich.gv.at-Redaktion, "Gleichbehandlungsanwaltschaften," oesterreich.gv.at - Österreichs digitales Amt, March 15, 2023, https://www.oesterreich.gv.at/themen/hilfe_und_finanzielle_unterstuetzung_erhalten/ombudsstellen_und_anwalt_schaften/Seite.3240004.html.

In German the "Equal Treatment Ombudsperson's Office" is called "Gleichbehandlungsanwaltschaft" and it is Austria's official institution and point of contact for cases of unequal treatment.

information about average pay levels within their companies and also about average pay levels at prospective employers. This will be possible as employers will have to report their data to an official monitoring entity, and not only provide the information to their employees internally according to Konstatzky. Furthermore, she puts forward, that besides the obligation to break down the data based on gender, companies that have a gender pay gap of more than 5% will have to take measures against it.²¹

2.4 Development of the gender pay gap in Austria over time

While Gulyas et al found that the direct effect of wage transparency measures in Austria was negligible so far²², Böheim et al. found that between 2005 and 2017 the gender pay gap in Austria was still decreasing substantially. In their analysis, they investigate which factors were responsible for this development. They found that the gap in hourly wages went down from 18.6 log points in 2005 to 14.9 log points in 2017 and that the unexplained wage gap declined from 8.7 log points in 2005 to 5.1 log points in 2017.²³

For the purpose of this thesis, their findings about the reasons for this narrowing of the gender pay gap are highly relevant, as they might imply useful policy action that will further narrow the gender pay gap efficiently. However, this development needs to also be put into context and compared to the development in the EU. Otherwise, one might conclude too quickly that Austria's gender pay gap narrows in any case and doubt the need for wage transparency measures.

Böheim et al. use various decomposition methods and find that the narrowing of the gender wage gap is largely due to an improvement in women's observed characteristics. Some

²¹ Beate Hausbichler, "In drei Jahren zu einer deutlich verbesserten Lohntransparenz," DER STANDARD, November 8, 2023, <https://www.derstandard.at/story/3000000194278/in-drei-jahren-zu-einer-deutlich-verbesserten-lohntransparenz>.

²² Gulyas, Seitz, and Sinha, "Does Pay Transparency Affect the Gender Wage Gap? Evidence From Austria."

²³ René Böheim, Marian Fink, and Christine Zulehner, "About Time: The Narrowing Gender Wage Gap in Austria," *Empirica* 48, no. 4 (November 2021): 803–43, <https://doi.org/10.1007/s10663-020-09492-4>. 823-824.

examples of such characteristics are years of formal education, years of experience, and the industry of occupation. So, the factors that led to an improvement in these characteristics have ultimately led to a reduction of the gender wage gap. According to Böheim et al., unobserved characteristics which include the discrimination of women might be responsible for the remaining part of the gender pay gap but argue that they have become less impactful.²⁴ This seems to be in line with the findings by Gulyas et al., who suggest that the impact of wage transparency measures was negligible. If the effect of wage transparency measures is supposed to reduce wage discrimination against women, but this factor does not impact the gender wage gap significantly then it is a logical consequence that wage transparency measures are likely not to impact the gender wage gap significantly.

As mentioned previously, another relevant indicator concerning the performance of Austria's policy for closing the gender pay gap lies in the comparison between Austria's and the EU's average. Seeing a parallel trend would suggest more general changes and not necessarily a result of country-based policies. A steeper decline in the gender wage gap on the other hand hints at country-specific circumstances that are beneficial for the narrowing of the gender pay gap. This would be the most benevolent interpretation, however the development could just as well be a temporarily delayed convergence with the EU's average, after a long period of being significantly above it.

²⁴ Böheim, Fink, and Zulehner, "About Time: The Narrowing Gender Wage Gap in Austria," 824.



As can be seen in this graphic there has been a major decline in Austria's gender pay gap since 2010, however, one can see that from 2013 onwards, the trend seems to be parallel to the average trend in the EU. Therefore, the development does not suggest successful country-specific policies as the reason for the decline.

3. What are the expectations linked to wage transparency measures?

Wage transparency measures are mostly applied to support the reduction of the gender pay gap. This section discusses what current research has found about the mechanism in which they might do so by discussing their expected positive effects. Moreover, it discusses potential negative side effects, which are relevant for improving the efficiency of the measures.

²⁵ Bundeskanzleramt Österreich, "Einkommen und der Gender Pay Gap."

3.1 Expected benefits

The most obvious benefit that wage transparency promises concerning the gender pay gap is that it makes structural discrimination against women visible.²⁶ Asking or talking about someone else's wages is seen as a taboo in many societies and Austria's society is among those. Only 25% of the Austrians are open to talking about their wages.²⁷ As a result, estimating what wage to expect in one's own position is hard. However, it becomes easy for employers to hide structural discrimination against women as they can assume that their employees will not discuss their wages with each other. Breaking the taboo around the discussion of money could support women in finding out about their relative position in terms of pay among their colleagues and make them aware of potential discrimination. Since a cultural norm of what one talks about can not be changed by law, wage transparency measures offer an alternative for reducing the downsides of this norm.

Knowing about colleagues' wages who work in similar positions strengthens women's position in negotiations. A study has found that in comparison to men women tend to ask for pay raises less often and when they do, they do not ask for pay raises that are as high as men would do on average.²⁸ Another study has shown that women are much less likely to negotiate in jobs where employers do not communicate that negotiations are an option. At the same time, men tend to try to negotiate for an increase in their wage irrespective of whether or not a prospective employer explicitly states an option for negotiation.²⁹ To give women an idea of what their employer is willing to pay for the work that they are doing, knowledge

²⁶ Cynthia Estlund, "Extending the Case for Workplace Transparency to Information About Pay," *UC Irvine Law Review*, no. 2 (2014), <https://scholarship.law.uci.edu/ucilr/vol4/iss2/11>. 785-786.

²⁷ Ulla Grünbacher, "Über Geld spricht man nicht," *Kurier*, May 25, 2016, <https://kurier.at/wirtschaft/karriere/ueber-geld-spricht-man-nicht/200.866.924>.

²⁸ Linda Babcock et al., "Nice Girls Don't Ask," *Harvard Business Review*, October 1, 2003, <https://hbr.org/2003/10/nice-girls-dont-ask>.

²⁹ Andreas Leibbrandt, "Do Women Avoid Salary Negotiations? Evidence from a Large-Scale Natural Field Experiment," *National Bureau of Economic Research*, no. 18511 (November 2012), <https://doi.org/10.1287/mnsc.2014.1994>. 2-3.

about other's wages is crucial. This might help to increase their frequency of asking for a pay rise, as well as the amount of it. Moreover, it will help them notice cases in which an offered wage is below that of their male counterparts and give them a good reason for negotiations even though this option was not stated explicitly.³⁰

Another possible benefit of wage transparency measures is mentioned by Gulyas et al. They argue that depending on the design of the measures they have the potential to give employees enough information to identify firms with an unequal pay scheme and to understand the level of pay relative to comparable firms. This might help women in particular, as they could avoid firms with an unequal pay scheme and support them in finding jobs that are comparably well paid. Gulyas et al put forward that this benefit can only result once wage transparency measures lead to public transparency and not only transparency within the firm. As long as transparency is only provided within a firm, comparisons are restricted to this context and the measures will help current employees but will not reveal structural information. However, this structural information would help employees to estimate their situation on a broader level.³¹

3.2 Expected drawbacks

Cullen and Pakzad-Hurson found that pay transparency measures, in which employees can gain insight into what their colleagues earn, might weaken the individual negotiation power of employees and result in lower average wages. They found that the effect is smaller when individual negotiations are less influential on remuneration levels. Cullen and Pakzad argue that pay transparency measures might cause employers to become more reluctant to accept requests for a pay raise. This is because it has the potential to start a chain of events as

³⁰ Jake Rosenfeld and Patrick Denice, "The Power of Transparency: Evidence from a British Workplace Survey," *American Sociological Review* 80, no. 5 (October 2015): 1045–68, <https://doi.org/10.1177/0003122415597019>. 1061-1062.

³¹ Gulyas, Seitz, and Sinha, "Does Pay Transparency Affect the Gender Wage Gap? Evidence From Austria," 8.

a result of the transparency. If all employees can find out about an individual's pay raise, then they are more likely to demand one for themselves. So, whenever an employer in a negotiation is considering increasing an employee's wage, they no longer need to only look at the accomplishments and work of this one person, but they also have to consider the effect that the raise would have on other employees. This increases the barrier to granting a pay raise because the resulting costs are more likely to be much higher than without pay transparency. Hence, the chances that wages overall remain lower increase.³²

These findings from the U.S. are in line with the point made in the report by the European Commission. It argued that the efficiency of pay transparency measures depends on the system that is already in place and how much wages depend on negotiation. When applying these findings to Austria, it is relevant to understand the system in place. In Austria, there are some particularities about the process of wage determination which will be described in the following part.

Bittschi explains that once a year, the different job sectors in Austria hold wage negotiations in which representatives of the employer as well as of the employee side try to agree on a sort of "minimum wage" for their sector. He stresses that employees are usually represented by members of the labour union. According to Bittschi these negotiations are held annually, and the resulting agreements are called "collective labour agreement" ("Kollektivvertrag"). He argues that they are not quite the equivalent of a legally binding minimum wage, as they are sector-specific. So, while similar systems establish an overall minimum wage, Austria has a different "minimum wage" for each sector. However, the wage set in a collective labour agreement is legally binding in that sector. As a result, sectors with

³² Zoë B. Cullen and Bobak Pakzad-Hurson, "Equilibrium Effects of Pay Transparency," *Econometrica* 91, no. 3 (May 2023): 765–802, <https://doi.org/10.3982/ECTA19788>.

stronger labour unions are more likely to achieve advantageous outcomes for their affected employees.³³

According to Bittschi, another particularity about this system is that the outcomes of the different sectors influence what other sectors can estimate to achieve. He explains that traditionally, the metal industry starts its negotiations in November and this agreement has substantial impact on the following negotiations among other sectors. They negotiate the so-called lead negotiation agreement, and a study has found that a shorter temporal distance between this agreement and the following negotiations increases the signaling impact of the metal industry's agreement on the following negotiations.³⁴

However, in case an employee wants a higher wage, it will depend on the outcome of individual negotiations.³⁵ Coming back to the study which found that wage transparency measures reduce the negotiation power of employees overall and considering the system in Austria, one can extrapolate that wage transparency measures are likely to influence the negotiation power of employees in Austria. Since the level of remuneration that is set by the collective labor agreement is only a minimum standard and not a scheme that guides employers more precisely on what level of remuneration to pay for which job, there still is substantial scope for individual wages. Wage transparency measures shed more light on the extent of this scope. However, employees in Austria will be at risk of negotiation power losses. Furthermore, one might extrapolate that this very first increase from the level of the collective labor agreement to above it gets crucially impeded and employers end up being more likely to refrain from increasing individual wages. This would mean that wage

³³ Bundesarbeitskammer, "Kollektivvertrag," Arbeiterkammer, accessed April 10, 2024, <https://www.arbeiterkammer.at/beratung/arbeitsrecht/Arbeitsvertraege/Kollektivvertrag.html>.

³⁴ Benjamin Bittschi, "Lohnführerschaft in Österreich: Relikt der Vergangenheit oder sozialpartnerschaftlicher Dauerbrenner?," *WIFO – Österreichisches Institut für Wirtschaftsforschung* 49, no. 2 (August 15, 2023): 79–101, <https://doi.org/10.59288/wug492.187>. 79.

³⁵ AK Oberösterreich, "Gehalts- und Lohnerhöhungen," Arbeiterkammer Oberösterreich, accessed April 10, 2024, https://ooe.arbeiterkammer.at/beratung/arbeitsrecht/Arbeitsvertrag/Gehalts-_und_Lohnerhoehungen.html.

transparency measures in Austria strongly push wages towards the level set by the collective labor agreement. There should not be an effect on the employees whose remuneration is fully determined by the collective labor agreement.

A further potential drawback of wage transparency measures was found by Perez-Truglia who carried out a study in Norway about the effect of wage transparency measures on well-being. They explain that in 2001, Norway introduced an online system that allowed people to find out about other people's wages. The country had been rather open about such information even before that and people could make a motion for finding out about someone else's wage. However, once this system was introduced this information became much more easily accessible for everyone. Perez-Truglia found out that as a result of this transparency measure, the gap between rich and poor in terms of well-being increased. The rich got to realize how rich they were relative to everyone else which increased their self-esteem. Moreover, everyone else was also able to find out how rich they were, which gave the rich a higher social esteem. The alarming aspect of these findings is that this mechanism also applies vice versa, decreasing the poor's self- and social esteem.³⁶ Applying this logic in the context of an existing gender pay gap would mean that an introduction of wage transparency measures decreases the self- and social esteem of women.

4. The moral case about wage transparency

Besides expected economic benefits and drawbacks there is also a moral case to be made about wage transparency measures. This section discusses why there might be a moral obligation for more wage transparency and that a relevant focus of them must be to reduce the

³⁶ Ricardo Perez-Truglia, "The Effects of Income Transparency on Well-Being: Evidence from a Natural Experiment," *American Economic Review* 110, no. 4 (April 1, 2020): 1019–54, <https://doi.org/10.1257/aer.20160256>.

gender pay gap by improving women's situation. It argues that while reducing men's pay would also reduce the gender pay gap, this is not an adequate solution.

4.1 The inherent worth of knowledge

The previously mentioned side-effect of wage transparency measures is that they potentially reduce women's self and social esteem, which at first sounds like a negative effect. However, there are philosophical objections that this is not unambiguously a good reason to abstain from these measures. Moreover, they can show, why the negative effects might be outweighed and women suffering from the gender pay gap will have a net benefit from transparency measures.

In Plato's allegory of the cave, the prisoners had a certain level of well-being in their shadow world. They only realized their unfortunate situation and wanted more for themselves once they became aware of the lives of others and the well-being of others relative to them.³⁷ So, if they had simply never found out about the real world their satisfaction with their current situation would have been substantially bigger. However, this is not necessarily enough of a reason for not telling them the truth. Telling them the truth will give them the chance to see what they can strive for and give them a reason to break free from the chains that captivate them inside the cave. This leads to a net benefit in the long run. The same might hold for women affected by the gender pay gap, who find out about their position relative to the rest of society. It might indeed lower their self- and social esteem at first, but in the long run, they can react to this finding and have a solid foundation for improving their situation.

It seems morally reprehensible to make people's happiness dependent on how much they know about their relative position in society. If this logic were to be used as an argument against the use of transparency laws, women affected by the gender pay gap would

³⁷ Shawn Eyer, "Translation from Plato's Republic 514b–518d ('Allegory of the Cave')," in *Ahiman: A Review of Masonic Culture and Tradition*, vol. 1, 2009, 73–78.

consequently have to be brought into a state of increasing ignorance to increase their happiness. It seems obvious that this is morally unacceptable as it promotes protectionist and patriarchal ideas. Not knowing how bad one's own situation is does not improve one's situation. Improving the situation of women is what a policy should strive for as opposed to concealing reality. However, this does not mean that this objection against transparency measures is invalid and should be ignored when introducing transparency measures.

Instead, it shows that, as part of the introduction of transparency measures, a package of options for improving one's own situation should also be introduced. The scenario would then be as follows: women affected by the gender pay gap find out information about their relative position in society and realize that they have not been paid adequately. This results in the pursuit of fair remuneration and, since there are enough contact points to complain about this, the way is open to demanding this fair remuneration.

This shows that wage transparency measures also have the potential to show more about cases in which relatively low wages are not a result of structural discrimination against women. Instead, the reason for it could be general labour market correlations. For such cases, there should be an opportunity for further training to create equal opportunities to obtain better-paying jobs.

4.2 Narrowing the gender pay gap through improvements

Another philosophical implication concerns the possible drawback of wage transparency measures decreasing wages overall, by weakening the negotiation power of employees, as mentioned in section 4.2. This drawback relates to the point by Gulyas et al which was introduced previously that wage transparency measures aim to narrow the gender pay gap by increasing women's wages and not by keeping wages overall lower. Philosophical considerations support this method for pursuing higher levels of equality. The following

example will illustrate, why equality and hence also wage transparency are more effectively pursued by making sure that the disadvantaged are lifted. This is even though pushing down the advantaged can lead to the same level of equality.³⁸

As an example, one is given a situation in which a tall person and a short person wish to watch a baseball game. Unfortunately, there is a fence, which ends above the short person's head, making them unable to watch the game. The tall person has no problem at all and can

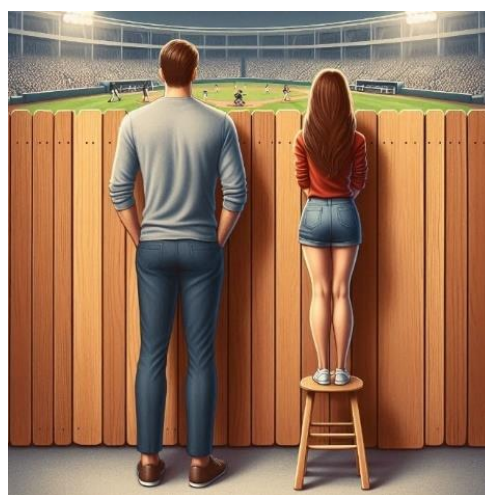
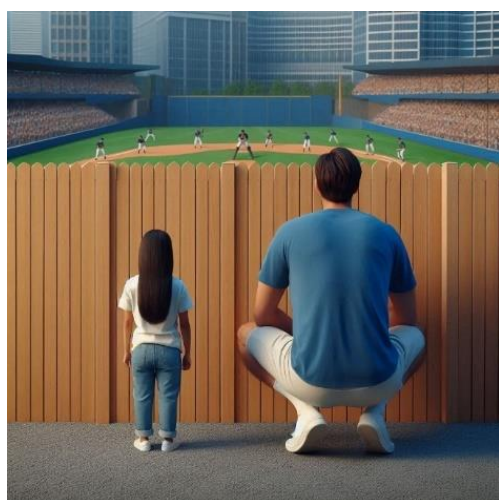


easily look above the fence. As a result, standing in front of this fence gives these two individuals very different payoffs. While the tall one can enjoy the game and experience the whole atmosphere, the short one needs to be satisfied with hearing some of the noise and maybe catching a glimpse here and there between the holes in the fence.³⁹

³⁸ The idea for the following comparison was inspired by a metaphor which was artistically illustrated by Angus Maguire. Angus Maguire, "Equality vs. Equity," Made with Angus, accessed May 4, 2024, <http://madewithangus.com/portfolio/equality-vs-equity/>.

³⁹ For the purpose of this thesis the images used in this section are AI-generated, by the "Microsoft Designer" software.

To make this situation more equal there are two options. One either forces the tall person to be on their knees which would leave them with the same payoff, as the short person already has. Alternatively, one might provide the short person with a stool that they can stand on, which would leave them with the same payoff.



Now, taking the short person as a metaphor for women affected by the gender pay gap and the tall person as a metaphor for men, it becomes evident that reducing men's wages would narrow the gender pay gap and result in a form of equality which is a declared aim of wage transparency measures. One can say that women's relative position has improved. However, there would not be a de facto improvement for them. And since the only change would be the worsening of men's situation, society would be worse off overall which should not be an outcome of effective policy making.

This illustration shows that the broad aim of wage transparency measures should be to make women effectively, not just relatively, better off. This is why the narrowing of the gender pay gap should not only be assessed based on the relative positioning of men and women but should also consider the net benefit for women. In section 5.2, this thesis will introduce the idea of "levelling up" as the broadly used term for this aim and discuss its policy implications.

5. Policy implications

So far, this thesis has shown that wage transparency measures in Austria are not efficient for narrowing the gender pay gap. However, it has also shown that they are a crucial policy instrument for fostering gender equality and that they have potential for strengthening women in the labour market. Therefore, this section suggests potential policy actions that are relevant both for narrowing the gender pay gap as well as for supporting wage transparency measures in working more efficiently.

5.1 Care work

Major reasons for the differences in earnings between men and women come from the fact that women tend to work fewer hours on average and tend to be working in lower-paying sectors than men.⁴⁰ However, this is not always the result of a deliberate choice that women make. Instead, it can be seen as a structural asymmetry that results from the societal expectation for women to be doing unpaid care work. Women are traditionally expected to do most household chores, take care of the upbringing of children, and care for elderly people in the family. They are supposed to organize and manage all of these tasks without pay. As a result, their time left for doing paid work is heavily restricted and certain jobs are impossible to take since their obligation to do care work does not provide enough flexibility.⁴¹ Being a manager, for instance, is a job that requires not only long working hours but also a high level of reliability as well as the willingness for business trips. However, being responsible for care work reduces the available working hours, potential emergencies linked to those who are taken care of reduce the level of reliability and the need for certain tasks to be done daily reduces the willingness for business trips. So, when statistics reveal that women tend to work

⁴⁰ Franziska Foissner, "Frauen verbringen mehr Zeit mit Arbeit als Männer," *Statistik Austria*, December 2023, <https://www.statistik.at/fileadmin/announcement/2023/12/20231218ZVE20212022.pdf>.

⁴¹ Henrik J. Kleven, "Child Penalties and Gender Inequality," *National Bureau of Economic Research*, no. 4 (December 2022): 16–20, <https://hdl.handle.net/10419/277831>.

more in low-paid sectors such as social work, education, or health⁴² one cannot conclude that it is solely a result of their own choices. Instead, societal expectations limit their options.⁴³

Furthermore, pushing women into low-paid sectors reinforces their responsibility for unpaid care work as a result of economic mechanisms. In Austria, women are not officially obligated to do the care work, however, a study shows that they still end up doing 64% of unpaid household work as well as two-thirds of childcare responsibilities. On average, women in Austria do 4 hours and 19 minutes of unpaid work and 3 hours and 19 minutes of paid work daily. On the other hand, men work for 2 hours and 29 minutes without pay and for 4 hours and 56 minutes with pay. So, not only do women work substantially longer without getting paid, but they also work longer overall.⁴⁴ Besides tradition, a potential reason for this is that it is less costly for a family to give up on the wage of the person who earns less. There seems to be a circle in which traditions have led women to be the ones primarily responsible for unpaid care work, reducing their ability to take up high-paid jobs. Working in relatively low-paid jobs in turn increases their chances of being responsible for care-work.

Since women being responsible for a majority of unpaid care work is a major contributor to the gender pay gap, it seems highly relevant to introduce policies that improve this situation. As section 2.2 has shown, wage transparency measures alone are not sufficient for closing the gender pay gap. Reducing the workload for women when it comes to unpaid care work appears to be a reasonable support measure to tackle the gender pay gap on a holistic level.

The UN declared unpaid care work as a policy target in the “Sustainable Development Goals” in 2015 and has published a paper in which they suggest actions for achieving target

⁴² Arbeitsmarktservice Österreich, “Gleichstellung von Frauen in der Arbeitswelt I AMS,” Arbeitsmarktservice Österreich, accessed April 8, 2024, <https://www.ams.at/arbeitsuchende/frauen/gleichstellung-frauen-arbeitswelt>.

⁴³ Kleven, “Child Penalties and Gender Inequality,” 16.

⁴⁴ Foissner, “Frauen verbringen mehr Zeit mit Arbeit als Männer,” 1–4.

5.4 to “recognize and value unpaid care and domestic work through the provision of public services, infrastructure, and social protection policies, and the promotion of shared responsibility within the household and the family as nationally appropriate”.⁴⁵ They follow the principles of establishing “Equality in caregiving through co-responsibility; and Equality in care receiving through universal access to quality care.”⁴⁶

5.2 Levelling up

As argued in section 4.2, wage transparency measures should be designed in a way that will increase the level of equality by improving women’s position as opposed to weakening the position of employees overall and thereby more strongly weakening the position of men. Lotan argues that social policy can work with the terms “levelling up” and “levelling down” to specify this difference. Accordingly, “levelling up” is the process of increasing equality through improving the disadvantaged group’s situation, while “levelling down” is the process of increasing equality through deteriorating the advantaged group’s situation.⁴⁷ Deakin discusses the efforts made by the EU to avoid “levelling down” processes from happening.⁴⁸ In pursuance of efficiently designed wage transparency measures it seems crucial for Austria to implement specifications that ensure that the narrowing of the gender wage gap happens as a “levelling up” process.

5.3 Publishing Reports

A final recommendation is one suggested by Gulyas et al, namely, to make pay reports publicly available. Austria’s current system obligates firms only to make these reports accessible to their current employers. According to Gulyas et al., this is why only current

⁴⁵ Arbeiterkammer, “Kollektivvertrag,” AK Portal der Arbeiterkammern, accessed May 3, 2024, <https://www.arbeiterkammer.at/beratung/arbeitsrecht/Arbeitsvertraege/Kollektivvertrag.html>.

⁴⁶ Arbeiterkammer.

⁴⁷ Tomer Lotan, “Equality Once Again - Social Policy and the Idea of Levelling Down,” *SSRN Electronic Journal*, September 2010, <https://doi.org/10.2139/ssrn.2188095>. 3.

⁴⁸ Simon Deakin, “Levelling down Employee Benefits,” *The Cambridge Law Journal* 54, no. 1 (1995): 35–37, <https://www.jstor.org/stable/4508031>.

employees can benefit from them and find out about potential inequalities. However, they argue that through publishing the reports “[...] *workers and especially women can direct their search towards more equitable and higher paying firms.*”⁴⁹ Moreover, they put forward that public reports could influence job satisfaction among current employees and thereby increase quitting rates in low-paying firms.⁵⁰

⁴⁹ Gulyas, Seitz, and Sinha, “Does Pay Transparency Affect the Gender Wage Gap? Evidence From Austria,” 8.

⁵⁰ Gulyas, Seitz, and Sinha, 8.

6. Conclusion

This thesis investigated wage transparency measures in Austria. It discussed the current state of Austria's wage transparency measures, and how they are likely to change in the near future. It found that wage transparency measures have had little impact on Austria's gender pay gap so far. Moreover, it found that they come with the risk of decreasing the negotiation power of employees overall, as well as the risk of reducing women's self-esteem and social esteem, as their awareness of their disadvantaged situation increases.

However, this did not lead to the conclusion that wage transparency measures are redundant. The thesis found several reasons why wage transparency measures in Austria are not just additional bureaucracy, but essential tools for fighting inequality between men and women. First of all, it argued that victims of structural discrimination deserve to know about their situation. It defended the theory that the gender pay gap in Austria is a structural phenomenon and that the idea of dropping wage transparency measures so that women will not be confronted with the facts about their unfortunate situation is morally impermissible. The benefit of the knowledge gain that can be attained through wage transparency measures, even if it contains negative information for a certain group of people, is strong enough to establish the need for wage transparency measures in the first place.

Secondly, the thesis has found compelling evidence that if transparency measures are implemented the right way, they support women in the labour market as they help to make structural discrimination visible and to strengthen women's negotiation position. The importance of making an issue visible is highly relevant to finding its solution. The fact that this thesis is written about the issue of the gender pay gap is a result of it being frequently discussed in current media and scientific research. The attention to an issue can only arise from making it visible. So, even if wage transparency measures are not the most efficient tool

for the narrowing of the gender pay gap, they make a considerable contribution to the visibility of the persistent issue. The increased attention that the issue attains is based on this visibility. It can lead to the issue being taken more seriously by politics, society, and research in the long run. Therefore, it seems plausible that, as a result of wage transparency measures, a chain of events follows in which measures are found that are involved in narrowing the gender pay gap in very different ways. The resulting measures may not be directly linked to wage transparency measures, but they were nevertheless instrumental in making the original problem visible in the first place.

This leads over to the main conclusion about wage transparency measures that this thesis found. Wage transparency measures must not be seen as an isolated instrument that will solve the issue of unequal pay among men and women. Instead, one needs to focus on the fact that they develop their effect depending on the implementation and the design of the measures as well as any existing accompanying measures. The thesis has covered the potential that lies in a decrease in women's responsibility for unpaid care work, which has been found to contribute substantially to the persistent gender pay gap. Along with improvements in this and other areas, wage transparency measures show their true efficiency.

So, through an introduction of wage transparency measures in 2011, Austria has already accomplished a first step. It has shown its dedication to making the issue of the gender pay gap more visible. However, it is still only a first step, and given that the intention behind the wage transparency measures is also to reduce discrimination, they need to be designed in a way that they do not only live up to moral ideals but also to a certain level of efficiency in fulfilling their practical purpose.

Bibliography

AK Oberösterreich. “Gehalts- und Lohnerhöhungen.” Arbeiterkammer Oberösterreich. Accessed April 10, 2024.

https://ooe.arbeiterkammer.at/beratung/arbeitundrecht/Arbeitsvertrag/Gehalts-_und_Lohnerhoenungen.html.

Albertine Veldman. “Pay Transparency in the EU: A Legal Analysis of the Situation in the EU Member States, Iceland, Liechtenstein and Norway.” Luxembourg: Publications Office, April 2017. <https://data.europa.eu/doi/10.2838/148250>.

Arbeiterkammer. “Kollektivvertrag.” AK Portal der Arbeiterkammern. Accessed May 3, 2024. <https://www.arbeiterkammer.at/beratung/arbeitundrecht/Arbeitsvertraege/Kollektivvertrag.html>.

Article 2, point 1. (a) and (b) of Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast), 204 OJ L § (2006). <http://data.europa.eu/eli/dir/2006/54/oj/eng>.

Babcock, Linda, Sara Laschever, Michele Gelfand, and Deborah Small. “Nice Girls Don’t Ask.” *Harvard Business Review*, October 1, 2003. <https://hbr.org/2003/10/nice-girls-dont-ask>.

Bittschi, Benjamin. “Lohnführerschaft in Österreich: Relikt der Vergangenheit oder sozialpartnerschaftlicher Dauerbrenner?” *WIFO – Österreichisches Institut für Wirtschaftsforschung* 49, no. 2 (August 15, 2023): 79–101. <https://doi.org/10.59288/wug492.187>.

Böheim, René, Marian Fink, and Christine Zulehner. “About Time: The Narrowing Gender Wage Gap in Austria.” *Empirica* 48, no. 4 (November 2021): 803–43. <https://doi.org/10.1007/s10663-020-09492-4>.

Böheim, René, and Sarah Gust. “The Austrian Pay Transparency Law and the Gender Wage Gap.” *IZA World of Labor*, no. 23 (February 2022). <https://doi.org/10.15185/izawol.310>.

Bundesarbeitskammer. “Kollektivvertrag.” Arbeiterkammer. Accessed April 10, 2024. <https://www.arbeiterkammer.at/beratung/arbeitundrecht/Arbeitsvertraege/Kollektivvertrag.html>.

Bundeskanzleramt Österreich. “Einkommen und der Gender Pay Gap.” Gender Pay Gap 2010-2022. Accessed March 17, 2024. <https://www.bundeskanzleramt.gv.at/agenda/frauen-und-gleichstellung/gleichstellung-am-arbeitsmarkt/einkommen-und-der-gender-pay-gap.html>.

Council of the European Union. “Timeline Pay Transparency.” Consilium, April 24, 2023. <https://www.consilium.europa.eu/en/policies/pay-transparency/timeline-pay-transparency/>.

Cullen, Zoë B., and Bobak Pakzad-Hurson. “Equilibrium Effects of Pay Transparency.” *Econometrica* 91, no. 3 (May 2023): 765–802. <https://doi.org/10.3982/ECTA19788>.

Deakin, Simon. "Levelling down Employee Benefits." *The Cambridge Law Journal* 54, no. 1 (1995): 35–37. <https://www.jstor.org/stable/4508031>.

Elsesser, Kim. "The Gender Pay Gap And The Career Choice Myth." *Forbes*, April 2019. <https://www.forbes.com/sites/kimelsesser/2019/04/01/the-gender-pay-gap-and-the-career-choice-myth/>.

Estlund, Cynthia. "Extending the Case for Workplace Transparency to Information About Pay." *UC Irvine Law Review*, no. 2 (2014). <https://scholarship.law.uci.edu/ucilr/vol4/iss2/11>.

Eurostat. "Gender Pay Gap Statistics." *Statistics Explained*, March 8, 2024. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics.

Foissner, Franziska. "Frauen verbringen mehr Zeit mit Arbeit als Männer." *Statistik Austria*, December 2023. <https://www.statistik.at/fileadmin/announcement/2023/12/20231218ZVE20212022.pdf>.

Grünbacher, Ulla. "Über Geld spricht man nicht." *Kurier*, May 25, 2016. <https://kurier.at/wirtschaft/karriere/ueber-geld-spricht-man-nicht/200.866.924>.

Gulyas, Andreas, Sebastian Seitz, and Sourav Sinha. "Does Pay Transparency Affect the Gender Wage Gap? Evidence From Austria." *ZEW Centre for European Economic Research*, no. 21 (October 2016). <http://dx.doi.org/10.2139/ssrn.3949832>.

Hausbichler, Beate. "In drei Jahren zu einer deutlich verbesserten Lohntransparenz." *DER STANDARD*, November 8, 2023. <https://www.derstandard.at/story/3000000194278/in-drei-jahren-zu-einer-deutlich-verbesserten-lohntransparenz>.

Kleven, Henrik J. "Child Penalties and Gender Inequality." *National Bureau of Economic Research*, no. 4 (December 2022): 16–20. <https://hdl.handle.net/10419/277831>.

Leibbrandt, Andreas. "Do Women Avoid Salary Negotiations? Evidence from a Large-Scale Natural Field Experiment." *National Bureau of Economic Research*, no. 18511 (November 2012). <https://doi.org/10.1287/mnsc.2014.1994>.

Lotan, Tomer. "Equality Once Again - Social Policy and the Idea of Levelling Down." *SSRN Electronic Journal*, September 2010. <https://doi.org/10.2139/ssrn.2188095>.

oesterreich.gv.at-Redaktion. "Gleichbehandlungsanwaltschaften." oesterreich.gv.at - Österreichs digitales Amt, March 15, 2023. https://www.oesterreich.gv.at/themen/hilfe_und_finanzielle_unterstuetzung_erhalten/ombudsstellen_und_anwaltschaften/Seite.3240004.html.

Österreich, Arbeitsmarktservice. "Gleichstellung von Frauen in der Arbeitswelt I AMS." Arbeitsmarktservice Österreich. Accessed April 8, 2024. <https://www.ams.at/arbeitsuchende/frauen/gleichstellung-frauen-arbeitswelt>.

Perez-Truglia, Ricardo. "The Effects of Income Transparency on Well-Being: Evidence from a Natural Experiment." *American Economic Review* 110, no. 4 (April 1, 2020): 1019–54. <https://doi.org/10.1257/aer.20160256>.

Rosenfeld, Jake, and Patrick Denice. “The Power of Transparency: Evidence from a British Workplace Survey.” *American Sociological Review* 80, no. 5 (October 2015): 1045–68.
<https://doi.org/10.1177/0003122415597019>.

Shawn Eyer. “Translation from Plato’s Republic 514b–518d (‘Allegory of the Cave’).” In *Ahiman: A Review of Masonic Culture and Tradition*, 1:73–78, 2009.

The European Parliament. “Gender Pay Gap: Deal Reached on Binding Pay-Transparency Measures.” News | European Parliament, December 15, 2022.
<https://www.europarl.europa.eu/news/en/press-room/20221212IPR64524/gender-pay-gap-deal-reached-on-binding-pay-transparency-measures>.