

Digitalisation and equal pay

Fact Sheet 15

Equal pay, competences and job evaluation

The principle of equal pay stipulates that equal remuneration must be paid for equal work or work of equal value. If this principle is violated, there is pay discrimination. But how can violations be determined? Whether different tasks are “equal” is often a matter of dispute – and whether work is of equal value is even more difficult to determine directly.

The German **“Act promoting remuneration transparency between women and men” (Entgelttransparenzgesetz, Transparency of Remuneration Act)** is intended to help reduce pay discrimination. It entered into force in July 2017. The Act regulates **information, reporting, and auditing obligations** in companies of a certain size with regard to equal pay. With a view to digitalisation, the report of the Third Gender Equality Report criticises the current design of the Transparency of Remuneration Act. The criticism focuses in particular on the following aspects:

- » The regulation often does not apply to companies in the digital sector, as these companies tend to be small and micro enterprises that are not covered by the Transparency of Remuneration Act.
- » The auditing procedures are not standardised. For instance, it is not ensured that specific digitalisation-related competences are considered; nor is there a guarantee that assessment standards preventing discrimination are applied.
- » The regulations on reporting and auditing obligations do not provide for sanctions in case of non-compliance.

The Expert Commission therefore recommends:

- » Corporate reporting obligations regarding equality and auditing obligations within internal remuneration schemes should be further developed within the Transparency of Remuneration Act. The law should, e.g., require certain standards for reports and auditing procedures, be binding and also apply to smaller companies.
- » A public contract should be awarded for the development of a job evaluation procedure that takes into account digitalisation-related competences as well as the demand for a non-discriminatory evaluation of work. This is to be tested within a model project in the digital economy and finally implemented comprehensively.

Moreover, the report also calls on corporate actors to utilise the digital transformation processes to give new impetus to the yet unmet **demand for equal pay for equal work or work of equal value.**

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Digitalisation opens a window of opportunity for gender-responsive remuneration.

Professions and competence requirements in the digital transformation – Three examples

In the course of the digital transformation, **new competence requirements are set, which must be reflected in remuneration. This is the only way to ensure that the principle of equal pay also applies in the digital age.** After all, digitalisation is changing the requirements for skills and knowledge in workplaces everywhere, as the following examples show:

- » In a study on “hidden technological work”, Bergmann, Pretterhofer, Meißner and Haselsteiner examine the work of retail workers. They find that digitalisation has significantly changed the competence requirements in this field. This includes, for instance, the introduction of electronic food scales. However, this has not changed the common classification of these jobs as “simple work”. Nonetheless, the authors identify several digitalisation-related competences which are required to handle these devices. In addition to “traditional” digital competences that go hand in hand with the operation of devices, this also concerns e.g. explanatory competence, meaning the ability to talk about the technology in a comprehensible way to customers and others.
- » Another example can be observed in everyday life and concerns the area of administration. It shows that digitalisation processes can not only directly, but also indirectly bring about changes in competence requirements: If, due to the digitalisation of the administration, more and more administrative processes can be carried out electronically by citizens themselves, the work of the administrative staff changes and focuses on those citizens who still come to an on-site appointment with their respective concerns. This often involves cases where there were, for instance, technical problems – which often leads to frustration or anger on the part of the people affected. Because of digitalisation, the responsible administrative staff are thus – paradoxically – required to have increased competences in handling people and human interaction as well as in conflict management.
- » In a recent study, Jochmann-Döll, Klenner and Scheele describe the case of female food packers. Their manual work was replaced by packing machines and the women were transferred to other tasks. Initially, they were not expected to be fit to operate the new technology. However, after the works council intervened, it was possible to train the women as machine operators. Thus, they were also able to work on the packing machines. After they had temporarily documented their new work which had been changed by automation, they were also promoted two wage groups upwards, again on the initiative of the works council.



On the corporate side, it is therefore necessary to **constantly monitor the (changed) and potentially hidden requirements** in order to arrive at a fair assessment of the work performed. This also applies to digitalisation-related competences that have already been required earlier, for instance the use of software that has been learned on the job.

There are tried and tested instruments available to check the pay structures within a company with regard to gender equality. One instrument recommended in the report of the Third Gender Equality Report is the equal pay check “eg-check.de”. The method of pairwise comparison for determining equal value contained therein can be used to check whether jobs in the company are of equal value and must therefore be remunerated equally.

The **“pairwise comparison of equal value”** is an easy-to-use procedure for job evaluation. It was developed on the basis of recommendations of the International Labour Organisation for non-discriminatory job evaluation as well as other non-discriminatory practices from Switzerland, the United Kingdom, and Sweden.

In the pairwise comparison, two positions/tasks are selected; since gender pay equality is at stake, one of them should (typically) be held by women, the other by men.

eg-check.de

For more information on the eg-check, including information on its content, implementation and background as well as a handbook for practitioners, see <https://www.eg-check.de/eg-check/DE/home/home-node.html>

Job evaluation by means of the pairwise comparison of equal value from eg-check.de



The following is a fictitious example from the retail sector provided by one of the developers of the eg-check, Dr. Andrea Jochmann-Döll. As mentioned above, competence requirements have changed in this sector as well due to digitalisation. In the following, the work in retail is assumed to be dominated by female employees, whereas warehouse work is performed predominantly by male employees.

The pairwise comparison of equal value uses 19 requirement types. For each requirement, it is defined what is meant by this requirement and in which forms and types it can occur. Each of these types is given a specific point value. All these points are added together and result in the overall work value. If the work value of the two compared jobs/tasks is the same, the activities are of equal value and must consequently be remunerated equally. If the work value of one of the jobs/tasks is significantly higher, this work must be remunerated higher.

The pairwise comparison of equal value can be used to find out for two positions whether the different activities performed at these positions may demand the same requirements of the respective employees. This corresponds to the definition of work of equal value according to the Transparency of Remuneration Act.

| Requirement type | Point value for each requirement type | | | |
|--|---------------------------------------|--|----------------|----------|
| | Retail | Remarks | Warehouse work | |
| 1. Knowledge and skills | | Increase of requirements regarding necessary digital competences | | |
| Professional knowledge and skills | 4 | | 4 | |
| Additional specialised qualifications | 1 | | 1 | |
| Cross-sector knowledge and skills | 1 | | 1 | |
| Required experience in practice | 0 | | 0 | |
| Planning and organisation | 1 | | 1 | |
| Dealing with work interruptions | 2 | | 0 | |
| Non-stop attention and concentration | 0 | 9 | 0 | 7 |
| 2. Psycho-social requirements | | Increase in requirements due to more complex communication content | | |
| Communication skills | 2 | | 1 | |
| Ability to cooperate | 1 | | 1 | |
| Empathy and persuasiveness | 2 | | 0 | |
| Burdensome psycho-social conditions | 1 | | 6 | 0 |
| 3. Responsibility | | Increase in requirements due to higher requirements on data security | | |
| ... for money or assets | 1 | | 2 | |
| ... for physical and mental health and data security | 2 | | 1 | |
| ... for others' work and leadership | 0 | | 0 | |
| ... for the environment | 0 | | 3 | 0 |
| 4. Physical requirements | | | | |
| Physical strength requirements | 1 | | 2 | |
| Requirements for posture, movements and sensory organs | 2 | | 1 | |
| Burdensome working time conditions | 1 | | 1 | |
| Adverse working conditions | 0 | 4 | 0 | 4 |
| Sum of point values = Work value | 22 | | 16 | |

In the example, work in sales would therefore be valued higher and should thus be better paid than warehouse work. But is this the case today?

Pairwise comparisons and other instruments for monitoring and safeguarding equal pay can make an effective contribution to combating pay discrimination – especially against the backdrop of changed competence requirements in the wake of digitalisation.

A comprehensive FAQ list on equal pay can be found on the website of the German Federal Anti-Discrimination Agency: <https://www.antidiskriminierungsstelle.de/DE/ueber-diskriminierung/lebensbereiche/arbeitsleben/gleichbehandlung-der-geschlechter/gleichbehandlung-der-geschlechter.html>

Whether such instruments for equal pay monitoring are used, however, is often determined by the framework conditions. In their study, Jochmann-Döll, Klenner and Scheele examine companies that have carried out or planned to carry out audits of their pay structures. However, even for these companies the researchers find that a lack of resources and knowledge often stands in the way of implementation. However, the authors also name **supportive factors, such as already formulated relevant guiding principles, financing of the audit with public funds or digitalised audit programmes**. This also indicates starting points for committed corporate actors like equal opportunities officers and works councils who want to become active in the field of equal pay.

The study considers digitalisation to hold at least the potential to make the issue of equal pay more relevant again, both at the corporate and at the collective bargaining level. More binding legal regulations within the framework of the Transparency of Remuneration Act – see the recommendations by the Expert Commission – can contribute to this. In this respect, it should be noted that digitalisation does not in itself question the generally accepted equality policy goals for paid work/employment, nor does it solve the existing problems. However, if the digitalisation processes in the labour market were actively shaped, for instance through the systematic and obligatory use of gender-equitable job evaluation procedures, this would certainly have the **potential to improve capabilities and opportunities for all genders**.



Further reading

- » Chapter B.III.1 “Arbeit und Arbeitsmarkt im digitalen Transformationsprozess” [“Work and the labour market in the digital transformation process”] in the report of the Expert Commission to the Third Gender Equality Report of the German Federal Government. The Third Gender Equality Report is available at <https://www.bmfsfj.de/gleichstellungsbericht>
- » Bergmann, Nadja/ Pretterhofer, Nicolas/ Meißner, Janis Lena/ Haselsteiner, Edeltraud (2021): Auf der Suche nach versteckter technologischer Arbeit. Analyse zweier frauendominierter Dienstleistungsberufe im Kontext der Digitalisierung [“In search of hidden technological labour. Analysis of two female-dominated service professions in the context of digitalisation”]. Vienna: L&R Sozialforschung GmbH. https://www.lrsocialresearch.at/files/EB_Versteckte_technologische_Arbeit_Dez2021.pdf
- » Jochmann-Döll, Andrea/Klenner, Christina/Scheele, Alexandra (2022): Entgeltgleichheit im digitalen Wandel? Eine explorative Studie zu betrieblichen Prüfungen der Entgeltgleichheit von Frauen und Männern [“Equal pay in the digital transformation? An explorative study on company audits of equal pay for women and men”]. Working Paper Forschungsförderung Nr. 244, Düsseldorf: Hans-Böckler-Stiftung. https://www.boeckler.de/de/faust-detail.htm?sync_id=HBS-008285

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