



To the point!

Cross-Asset- and Strategy-Research

Germany's women in the part-time trap

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March 8, 2024

The gender pay gap in Europe's largest economy still persists

Today is International Women's Day. Reason enough for me to take another look at the German labor market. What progress is being made regarding gender equality in the workplace? Short answer for the hurried reader: little to none.

Germany ranks an excellent 6th out of 146 countries on the World Economic Forum's 2023 [Global Gender Gap Index](#), just behind the Scandinavians and New Zealand. However, this positive positioning is solely attributed to having more women in higher political offices and an increasing proportion of young women in higher education. In terms of wage equality, however, Germany has regressed. In the category "economic participation and opportunity", the country now occupies an embarrassing 88th place, even worse than in 2022 (75th place). One may criticize the calculation method applied by the study, but the findings are hard to dismiss out of hand.

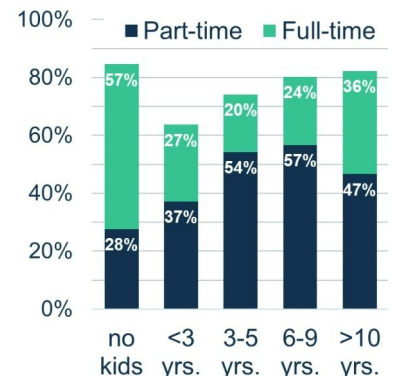
The Gender pay gap remains at a high level

In 2023, women in Germany earned 18% less per hour than men. While the gap has been slowly decreasing since measurements began almost twenty years ago (2006: 23%), no further convergence has been evident since 2020. The female income gap is negligible up to the age of 30 and then steadily increases.

You don't need a PhD in economics to understand what's happening here: Women in Germany, on average, are around 30 years old when they have their first child. And then the part-time employment rate for women skyrockets. Full-time employment only recovers slightly as the children get older (see Fig. 1). And that's only part of the story: the overall employment rate, whether full or part-time, drops by 20 percentage points after the birth of

Women earn significantly less

Fig. 1: Employment of women in Germany, by age of youngest child



Source: Destatis, LBBW Research

a child. The employment rate is the sum of the two columns in the graph. In other words, 40% of women with young children no longer participate in the labor market at all.

In times of an ubiquitous shortage of labor, it is more important than ever to tap into this dormant potential. The notable high part-time rate in Germany hampers women's career advancements. Among the CEOs of German listed companies, there are more men called Christian than women. The number of female CEOs even dropped during 2023.

Childcare bottleneck

Even in 2024, childcare responsibilities still fall predominantly on women. They spend nearly twice as much time daily on it than fathers. This unequal gender distribution of responsibilities is exacerbated by the dearth of childcare facilities. Currently there is an estimated shortage of daycare spots of almost 400,000. And this number keeps rising.

A comparison between East and West Germany illustrates the importance of this issue. In the former GDR, widespread daycare availability allowed both parents to participate in the production process (and shaping the little rascals into staunch socialists early on). Even today, childcare coverage in the eastern federal states of Germany is significantly better than in the west. Consequently, women are less disadvantaged at the workplace and the gender pay gap is correspondingly smaller (see figure 2).

At least in this specific case, the old GDR credo "Learning from the Soviet Union means learning to win!" rings somewhat plausible.

Fig. 2: The fewer daycare centers, the higher the salary difference



Source: LBBW Research, Destatis

The fewer nurseries, the higher the salary difference

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