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Is there a "Glass Ceiling" in the Czech Republic?

Of Czech executives only 7% are women, and they earn 20% less than their male counterparts

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There is growing evidence that in the Czech Republic women face a "glass ceiling" — a barrier to career prospects, which precludes them from achieving high-paying positions and having equal wages with men especially in the upper part of the wage distribution. Analysis of managerial gender gaps is particularly significant in the post-communist economies of Central Europe, where firm personnel strategies and corporate governance are converging towards Western standards.

Our study of Czech managerial employees covers not only top executives, but also mid-level managers and employees, thereby allowing us to link the relative position of women across firm hierarchy levels. We classify chief executives and directors as top-level managers, and production and specialist managers and supervisors as lower-level managers. We use data from a national employer survey, the Information System on Average Earnings, from 2000 to 2004. We work with salary information only, as data on total compensation is not available. The data do not cover the public sector (education, health and public administration), where wage determination follows budgetary rules and is based on wage grids. In our analysis we focus only on large firms with more than 250 workers. The total sample includes wage records of 1,692 top-level managers and over 36,000 lower-level managers.

Lowest Gender Wage Gap in State Firms

Top-level managers in our data make on average 2.69 times more per hour than lower-level managers who, in turn, enjoy wage rates 2.46 times higher compared to those of ordinary employees. How well are women represented among these high-paid groups of workers? If the gender of managers was assigned randomly in a fashion reflecting the overall employment patterns, the share of female managers would be around 46%. In contrast, our data show that only 7% of top managers are females, while women constitute 32% of all lower-level managers. Female top-level managers make on average 41% less per hour than their male equivalents, while the gender wage gap of ordinary employees is 22%.

Women are relatively highly represented among younger and especially among less educated top managers—though these groups of managers are also the least highly paid. Among lower-level managers, the wage gap is small among highly educated people, though in this group there are also relatively few women. The representation of women and the gender wage gap are more equalized among ordinary employees.

In looking at patterns of employment and wages across firm ownership types, sizes, and industrial sectors we find that state-owned firms have the lowest gender pay gap and more women also feature at the top of the firm hierarchy. Dividing firms into four quartiles by size (total employment) demonstrates that females are more likely to be at the top of the few very large firms. Finally, the "femaleness" of the top brass is highest in the relatively low-paying retail and transport and communication industries, where 38% of all female executives work.

The gender wage gap for top managers fluctuates across all industry branches, but is particularly high in the retail industry.

Shifting attention to lower-level managers, female representation in the managerial workforce is highest in state-owned and very large firms, similar to the case with top-level managers. The gender wage gap is relatively more equalized across firm types compared to the higher level positions, and again, the retail and transport industries have the highest share of women. Thus, at 7% women are severely under-represented in top managerial positions, and there is a clear gender divide between lower and top-level managerial ranks. The fact that the average pay gap between men and women increases with firm hierarchy level suggests an increasingly female-unfriendly environment as workers progress towards higher levels.

Can We Account for the Sources of the Wage Gap?

To what extent can the gender wage gaps be explained by the gender employment patterns and differences in demographic characteristics of managers?

Using the traditional Oaxaca-Blinder technique, we find that approximately a third of the gender wage gap for both top and lower-level managers can be explained by the gender differences in age and education. This is in contrast to the situation with ordinary employees, where the demographic composition of the workforce is actually more favorable for women. We also find that female managers, both at top and lower-levels are more often found in less "generous" firms. Yet, the analysis suggests the presence of a sizeable "unexplained" component of the managerial gender wage gap. Using matching decomposition techniques, we find that this "unexplained" wage gap (for men and women comparable in terms of demographics and employer type) is about 20% in each employee group; this includes both types of managerial posts as well as ordinary employees.

Next, we link the relative position of women across our three firm hierarchy levels. We find that there is a statistically strong positive link at the firm level between the fraction of women at all three hierarchy levels, and a negative link between the gender wage gap at a given hierarchy level and the presence of women at other levels. These results are in accord with those Bell (2005) reports for the U.S.; they are consistent with Czech firms differing in a systematic way (within industry and size categories) in how friendly they are to women. The estimates particularly support the notion that lower-level managers are promoted from among the employees.

Putting the Czech Glass Ceiling into International Perspective

In order to compare the Czech managerial gender gap to the U.S. one (specifically, to the Bertrand and Hallock 2001 study), we examine the five highest-paid managerial employees from each firm in a sample.

The share of females among the five highest-paid managers in each of the Czech firms in our sample is 9%, which compares favorably to the recent 6% in the U.S. The ratio of female to male pay among the Czech managers is 74%, which is comparable to the 73% ratio for the U.S. However, the U.S. gap, based not on salary but on total compensation, is larger at 67%. Comparing the combined group of top and lower-level Czech managers to the U.S. ones, the Czech raw wage gap appears about a third smaller.

How does the structure of the Czech wage gap for the highest-paid managers compare to that estimated in the U.S.? About a fifth of the Czech gap can be accounted for by the lower participation of women in higher-paying firms, compared to about a third in the U.S. In the Czech Republic, 74% of the five highest-paid female managers work in the smallest firms. The occupational structure of female managerial employment explains a substantial part of the overall gender compensation differential in both economies. Unfortunately, the Czech data do not allow us to fully identify the CEO, which may be one of the reasons why the Czech "unexplained" gap remains higher than the U.S. one.

Overall, we find the relative position of women at the top of U.S. and Czech firms quite similar. We also conclude that the size of the Czech gender wage gap that cannot be linked to observable differences between men and women and their employers is quite similar across firm hierarchies. To the extent that this conditional wage gap can be interpreted as on-the-job discriminatory wage setting, this suggests that women are treated similarly at the top and bottom of firms, once they are there. A large part of the average wage difference across genders among top managers is related to the different types of firms that women and men typically head: female employees tend not to be present at the top of the highest-paying companies. The policy implication of these findings is that equality-enhancing policies aimed at the highly visible group of executives are more likely to be effective in equalizing wages of male and female top managers if they focus on promotion policies in the most prestigious companies.

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A cross-country comparison of the relative gender employment among managers of large firms (occupation group 12 of the ISCO-88 classification), using data from household surveys harmonized in the Luxembourg Income Study, shows that the share of female managers of large firms varies widely from 17% in Belgium to 43% in the USA. The hourly pay gap, defined as the ratio of female to male average wages minus one is high in Russia, Spain, and the U.S., and the smallest for Ireland and Slovenia. In the Czech Republic females constitute only about 23% of the ISCO group 12 of corporate managers and the corresponding gender pay gap, at 24%, is then close to the average gap of this sample of countries.

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