Gender pay gap in the third sector - theoretical explanation and empirical evidence from Switzerland and Germany

Markus Gmür

Universität Freiburg, Fribourg, Switzerland

Although the analysis of pay structures in the nonprofit sector has not attracted a larger number of researchers during the last 20 years, the question if the traditional gender gap between wages of men and women also exists in the Third sector is still relevant. The literature review shows some empirical evidence but the theory behind it seems to be underdeveloped.

The paper makes empirical and theoretical contributions to the discussion:

- It presents data on wage differentials between male and female executives from a wide range of nonprofit organisations in Switzerland and Germany over a period of ten years. Special focus is directed to differences between segments of the Third Sector and the development between 1997 and 2007.

- It introduces theoretical explanations for the segmental differences and uses institutionalist and cultural arguments for that purpose.

Preston (1989) compared wages in the business and the nonprofit sector between 1970 and 1985 in the U.S.A. and not only identified increasing pay level differences between these two sectors. She also found that “wage penalty” for working in the nonprofit sector was lower for women than for men. So one should expect lower pay-related discrimination of women in the nonprofit sector.

Steinberg & Jacobs (1994) with their case example from the Canadian hospital sector show, how the adoption of pay systems from the business sector ended in an increase of wage differences between male- and female-dominated professions in that organisation. Based on a sample of management positions in fundraising organisations Mesch & Rooney (2008) found 11% wage discrimination against women. Finally Sampson & Moore (2008) estimate that the controlled effect of the gender variable still explains 10-20% of wages of men and women in the management of U.S. nonprofit organisations. On the other hand Bertrand & Hallock (2001; 2002) couldn’t find any wage differences on the executive level of nonprofit organisations after having controlled for a wide set of organisation-, position-, and person-related variables.

Data on executive pay from several samples of 350 Swiss and 700 German nonprofit organisations collected between 1997 and 2007 are presented to reveal the inherent pay structures and how they can be explained. The results show that even when pay differences between men and women are controlled for differences in job requirements, formal qualification, age, tenure, work experience and organisation size

- Female managers earn 6% (Switzerland) respectively 13% (Germany) less than their male colleagues

- Pay differentials between men and women in nonprofit organisations change slightly during the 10-year time period.

- Pay differentials between men and women significantly differ between subsectors: They are larger in economic npo (e.g., industrial and professional associations) and lower in social and political npo (social services, environment, advocacy, human rights).

The empirical results will be explained with sector-specific organisational ideologies and institutional forces (DiMaggio & Powell 1983): Concerning pay-related decisions nonprofit organisations perceive tensions between institutional pressures from business-dominated labour markets and ideological requirement from their sector-specific mission: Economic nonprofits are strongly influenced by the business sector and have no specific ideological requirements. As long as pay structures in the business sector are characterized by strong pay differentials and an obvious tolerance for wage differentials between men and women,
one has to expect comparatively high differences between men and women in the nonprofit organisations as well. On the other hand, social and especially political nonprofits are often critical against to the business world and characterized by ideological missions of egalitarianism and anti-hedonism, resulting in lower pay levels and lower differentials.

References: