INSTITUTE FOR POLITICS AND SOCIETY

POLICY BRIEF

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Diminishing the Gender Pay Gap: Why is it important? What steps are necessary to implement change?

Aleksandra Mayer

Summary

In recent years, the stagnation of the gender pay gap poses continuous threats to the Czech economy and the global market as a whole. Ranked among the worst in the EU for Gender Pay Disparity, the Czech Republic is currently reforming its Labor Code in response to EU Directives. This policy brief draws on successful policies from countries such as Iceland and Luxembourg to highlight actionable strategies and address structural barriers that sustain the gap.

Key Takeaways

- The EU Directive will require gender reporting and pay assessments by 2027.
- In June 2025, The Czech Republic amended its Labor Code to create more workforce equality.
- The Czech Republic still has one of highest pay gaps in the EU and globally, driven by systemic structures that require reform.
- Examining successful international policies reveals a framework for diminishing the pay gap and increasing the average wealth of Czech citizens.

Introduction

Despite growing awareness of the gender inequality gap in the Czech Republic, there is still a stagnation of tangible growth in diminishing the Gender Pay Gap (GPG). The GPG hovering around 18% in the Czech Republic for the last few years leaves the country consistently ranking one of the lowest in the European Union. The persistent gap not only affects social inequality but also poses significant challenges to economic productivity and a sustainable work environment. As the Czech Government recently amended its Labor Code to effect further changes, this policy paper aims to analyze the systemic structures that have hindered progress in the past and compare legislation with that of other countries, including those with higher GDPs per capita. On the brink of change, domestically driven by reform and pressure from EU directives, this paper begins by reviewing the current state of income inequality, followed by an evaluation of existing measures, and concludes with targeted recommendations for change.

Why This Matters

The Gender Pay Gap (GPG) affects macroeconomics in addition to being a social issue. According to the International Monetary Fund, narrowing the Gender Gap in developing markets can increase overall GDP by 8 percent. Alleviating poverty and gender inequality through new labor legislation would help create a higher-growth environment and a more sustainable future (International Monetary Fund, 2023). By providing women with more structural opportunities within the labor force, organizations can better utilize their employees and match their skill sets with proper compensation, leading to higher productivity and sustained output. Additionally, reducing the gap would increase the tax base, leading to larger revenue and output holistically within a country (Evropský parlament, 2025).

In the Czech Republic, there has been little growth since 2002, and women still earn roughly 5,600 CZK less than men (Czech Statistical Office, Employment and Wages). Statistically, if women attempted to earn the same amount of money as men for the same jobs, they would have to work an additional 65 days in the republic (Řezaninová, 2025). Additionally, with less money to invest, women are at higher risk of social exclusion and poverty in old age compared to men, as 20% of Women in the 65+ age group currently face income poverty compared to only 7% of men (Evropský parlament, 2025; Office of the Government, 2021). Compared to other EU countries, which average roughly a 12.7% income gap, the Czech Republic's income gap remains at 18%, ranking among the worst in the EU (Prague Daily, 2025).

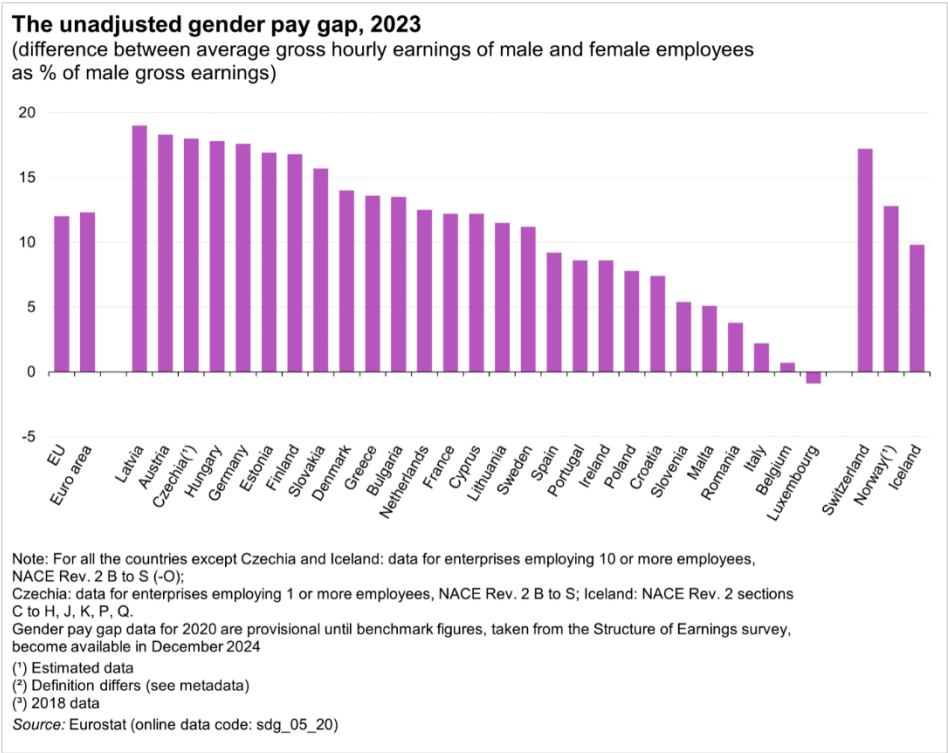


Figure 1: The unadjusted gender pay gap, 2023 (difference between average gross hourly earnings of male and female employees as % of male gross earnings)
Source: Eurostat (sdg_05_20)

Main Causes of The Gender Pay Gap

Historically, one of the most significant contributors to the income gap has been the unequal burden of childcare, as women are more likely to take career breaks, leaving them at a disadvantage in the workforce (Řezaninová, 2025). Currently, one of the highest GPGs occurs between the ages of 35 and 49, at around 22% GPG, because more women focus on childcare in this age range (Řezaninová, 2025). In the Czech Republic, the government only offers formal care facilities for roughly five percent of children under three, and approximately 30-40,000 applications for kindergarten are rejected yearly (Office of the Government, 2021). The lack of formal care facilities and access to kindergarten education, leave women at home longer, preventing them from participating in the economy. The inevitable break for childcare leaves women at a disadvantage for their return to the workforce and further perpetuates the gender wealth disparity.

Historically, the Czech Government has provided social support for parental leave up until the child's fourth birthday. Recently, the Ministry of Labor and Social Affairs amended its policy in 2024, now providing support only until the youngest child turns three or until the maximum amount of CZK 350,000 is reached, or CZK 525,000 for twins or multiple births (Ministry of Labor and Social Affairs, 2025). The social support of the past and current extended parental leave further reinforces the gender income gap, as more time out of the labor market reduces long-term earnings and career progression. While the new policy encourages earlier workforce reentry, it disproportionately affects women, who are more likely to take the extended leave.

Remote work has the potential to significantly increase women's participation in the workforce by offering greater flexibility, especially for those balancing childcare responsibilities. However, the government has yet to fully recognize it as a standalone work arrangement in the Czech Republic.

Current labor laws do not permit employees, including women, to contract exclusively for remote work (Dreamville, Economic and Employment).

In addition to childcare, there are sectors of the economy that remain male-dominated. Although the Czech Republic ranks highly in educational attainment, many organizations do not reflect this in their pay practices (World Economic Forum, 2025). University-educated women make around CZK 15,000 less per month, with a gender gap of 25%, despite having the same qualifications as their male counterparts (European Commission, 2025). Additionally, Women only represent roughly 30% of managerial positions from ages 25-59 despite equal qualifications and education, showing the need for more gender mainstreaming (Trading Economics, 2025). The structural differences between men and women, despite increases in qualifications, underscore the systemic issues at hand.

International Inspiration

On a macro scale, the Czech Republic lags behind other countries in terms of governmental involvement in gender equality. Luxembourg, the EU's top-ranked GPG, has stricter policies and governmental intervention to ensure equal pay among its citizens. Organizations in Luxembourg are required to submit gender-based employment data twice a year to staff delegations and provide a report on any income gap larger than 5% (Sheen, 2024). Additionally, an organization with more than 15 employees is required to have an Equal Opportunities Officer in charge of ensuring the equal treatment of all workers, regardless of gender (Sheen, 2024). The officer ensures fair promotions, vocational training, and employment education(Sheen, 2024). Not only do they have a position that oversees work treatment, but they also enforce Article L. 225-1 of the Labor Code, which allows the government to identify unjustified pay disparities and require the employer to face a financial penalty (Sheen, 2024).

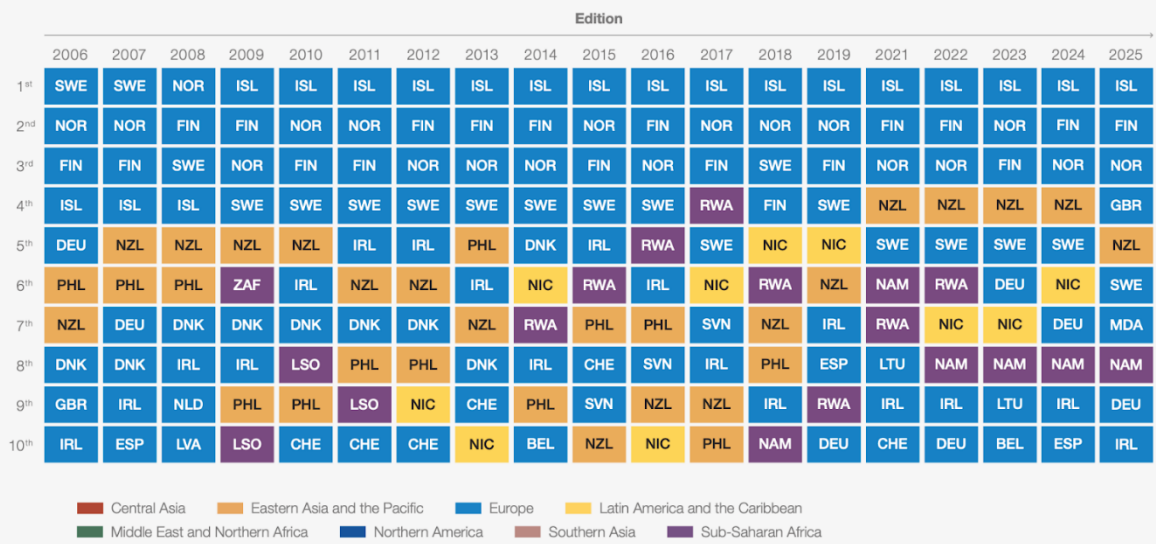
In addition to Luxembourg, Iceland, which is globally ranked 1st for the lowest pay gap, has legislation that requires employers to prove they are not paying their employees differently (World Economic Forum, 2025). In 2018, Iceland became the first country to require companies to demonstrate equal treatment in the workplace (Sheen, 2024). In Iceland, the government requires companies with 25 or more employees to obtain an Equal Pay Certification, part of Iceland's Equal Pay Standard, known as Standard IST85. Additionally, companies with 25-49 employees can opt to receive an Equal Pay Confirmation instead (Sheen, 2024). Governmental involvement helps bolster equality within organizations, aligning with the IMF's focus on economic sustainability.

In addition to Iceland, the governments of all Nordic countries support one-year parental leave and shared parental leave, thereby diminishing the gender gap (PragueDaily, 2025). To promote greater gender equality in the Nordic regions, efforts have been made at the political level to encourage parents to share their parental leave. Following Iceland, Finland and Norway rank second and third on the global scale for the smallest income gap, demonstrating the benefits of parental leave (World Economic Forum, 2025). Each country has a quota of at least two months of non-transferable parental leave for each parent (Lammi-Taskula et al., 2025). In 2022, Finland's government changed the language from "maternity leave" to "parental leave," making childcare more gender-inclusive (Lammi-Taskula et al., 2025). Since 2019, Nordic fathers have taken the most parental leave compared to elsewhere globally (Nordic Council of Ministers, 2019). Additionally, parental benefits in the Nordic countries range from 70 to 100 percent, and some countries offer more extended benefits with reduced pay, helping their citizens and contributing to a more equal society (Nordic Council of Ministers, 2019).

Compared to the Czech Republic, which ranks 102nd in terms of income inequality, shared parental leave is uncommon and more taboo (World Economic Forum, 2025). A report by the Office of the Czech Government shows that 70% of citizens believe mothers should be the primary caregivers during parental leave, making it more challenging for men to take on a larger role (Office of the Government, 2021). Additionally, ⅔ of men reported having a higher income than their spouse, making their potential parental leave an economic burden to the family (Office of the Government, 2021). While new legislation allows Mothers to share their maternity leave with their spouses, the societal stigma halts making significant change (Boundless, 2025). Additionally, men have paternity leave, but it is only two weeks, and they must take it consecutively, which can restrict their time at home (Boundless, 2025).

Comparing the Czech economy to those of Luxembourg and the Nordic countries suggests a greater need for systemic change in Czech Labor Laws. The Czech GDP per capita is significantly smaller than that of Luxembourg and all five Nordic Countries because the wealth disparity among citizens is larger, indicating a need to further reduce the pay gap (International Monetary Fund, 2025).

FIGURE 1.2 **Evolution of Global Gender Gap Index top 10 over time**



Source
World Economic Forum, Global Gender Gap Index 2025.

Note
BEL = Belgium; CHE = Switzerland; DEU = Germany; DNK = Denmark; ESP = Spain; FIN = Finland; GBR = United Kingdom; IRL = Ireland; ISL = Iceland; ; LSO = Lesotho; LTU = Lithuania; LVA = Latvia; MDA= Republic of Moldova; NAM = Namibia; NIC = Nicaragua; NLD = Netherlands; NOR = Norway; NZL = New Zealand; PHL = Philippines; RWA = Rwanda; SVN = Slovenia; SWE = Sweden; ZAF = South Africa.

Current EU Legislation

In January 2021, Members of Parliament congregated to draft new legislation aimed at reducing the pay gap over the next five years. By November 2022, the European Parliament approved legislation that requires transparent selection procedures (Evropský parlament, 2025).

The EU Pay Transparency Directive, approved by the European Parliament in 2023, establishes a framework for EU member states to enforce equal pay within their workforces and requires all member states to comply with new regulations by 2027. By June 2027, the EU will require all organizations to submit a pay data report to ensure transparency (Evropský parlament, 2025).

The EU has also begun to implement the Joint-Pay Assessment, looking into organizations with a pay gap of more than 5% among employees (Sheen, 2024).

To align with the EU Directive, the Czech Parliament recently amended the Labor Code. As of June 2025, the Czech labor code has prohibited pay confidentiality clauses, making pay more transparent. Additionally, new initiatives with parental leave allow employees to be guaranteed the same position if they return before their child turns two years old (Chalada, 2025). These new changes will help reduce the pay gap in the years to come.

Current Advocacy in the Czech Republic

The Ministry of Labor and Social Affairs sponsors Equal Pay Day, an organization aimed at reducing the pay gap and creating a more equitable work environment within the Czech Republic. Each March, the organization holds a meeting to discuss ways to address the wealth disparity. This year, at their annual event, the organization advocated for professional neighborhood caregivers to serve as a viable child care alternative, where a professional caregiver would watch up to four children, allowing more parents to participate in the workforce (Řezaninová, 2025). Equal Pay Day is seeking to have the professional neighborhood caregiver align with new reforms to the Czech Labor Code.

Recommendations

- Despite new improvements in the Labor Code, the government should offer more childcare subsidies, create more nurseries, and offer neighborhood watch as a viable option.
- The Czech Parliament could incentivize shared parental leave, which would provide a more significant change.
- The government could benefit from supporting voluntary or mandatory certifications for fair pay, and the Labor Code could also instill a fine, similar to Iceland and Luxembourg's system.
- Reform the Labor Code to provide more flexible and remote work options.
- During the hiring process, it is necessary to consistently consider the candidate’s abilities, regardless of gender or other factors.

Conclusion

Reducing the gender pay gap in the Czech Republic is beneficial not only as a means of creating social change but also as an economic opportunity. As EU-wide directives take effect, the Czech government must go beyond minimum compliance and create more structural reform in parental leave, childcare subsidies, and gender mainstreaming. By emulating Nordic and Western European Models that have proven successful fiscally and socially, the Czech Republic can position itself better on a macro scale.

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Author

ALEKSANDRA MAYER

Aleksandra Mayer is a recent graduate from the University of California, Santa Barbara. She obtained her bachelors degree in History of Public Policy and Law, and has strong interests in international relations. She is currently interning at the Institute for Politics and Society. Her academic interests focused on global history, connecting how all regions interact with each other. After this internship, she plans to pursue a career in law and attend law school.

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Martinská 2, 110 00 Prague 1

+420 602 502 674

www.politikaspolecnost.cz

office@politikaspolecnost.cz