

Gender Pay Gap:

The Facts, Why It Is Important and What Can Be Done About It

The Facts

- **Women, on average, earn 17.2 per cent less than men** (based on full-time average weekly earnings);¹
- **The average 25 year old male will earn approximately \$2.4 million over the next 40 years compared to \$1.5 million for the average female;**²
- **Men with children earn almost double what women with children earn over their lifetime;**³
- **By 2019, the average woman will have half the amount of superannuation that men have;**⁴
- **Women are two and a half times more likely to live in poverty in their old age than men.**⁵

1 Australian Bureau of Statistics (ABS), Cat. No. 6302.0, Average Weekly Earnings – Trend data, February 2011 (released 19.05.11).
2 AMP NATSEM (2009), "She works hard for the money," Income and Wealth Report, Issue 22, p.34.
3 Ibid.
4 Ibid.
5 Ibid.





Women workers continue to receive a significantly lower level of discretionary payments compared to men, particularly over-award and bonus payments.

Factors that Contribute to the Gender Pay Gap

There is a number of complex and often interrelated factors that contribute to the gender pay gap. The key factors are set out below.

1. The undervaluation of women's skills

The undervaluation of women's skills reflects a range of social, historical and industrial factors. Prejudices regarding women as employees and the nature of their skills have interfered with objective assessment of women's work. For example, women's skills are often viewed as 'soft or social skills,' rather than industrial or workplace skills.

2. Women's lower share of discretionary payments

Women workers continue to receive a significantly lower level of discretionary payments compared to men, particularly over-award and bonus payments. Women also tend to be concentrated in jobs with less access to a range of over-award-payments and bonuses and in industries where over-award payments are not traditionally offered. It is important to examine the whole remuneration package (e.g. allowances, use of a car, health insurance, superannuation contributions and bonus and performance based payments) and not just base pay when considering if there is a gender pay gap.

3. Occupational and industrial segregation

Many factors contribute to Australia's gender-segregated workforce including women's educational and vocational choices and opportunities for and barriers to career progression including workplace cultures that still incorporate gender-related stereotypes and expectations.

4. A lack of investment in women through training and development

The 2010 Global Gender Gap Report from the World Economic Forum puts Australia at the top of the list for female educational attainment. However, although women significantly outnumber men as university graduates, they are not receiving the same access to education and training within workplaces.

Some reasons for this are:

- training is mostly offered to technical or front-line roles which are often dominated by men;
- men are more likely to have access to leadership training opportunities;
- women tend to have clerical focused training, as opposed to developmental training;
- training is often structured in a way that makes it difficult for people with caring responsibilities;
- training opportunities are not always offered transparently or equally;
- incorrect assumptions are made about women's aspirations and career development interests.

As a result of their caring responsibilities, there is a higher concentration of women in part-time and casual employment.

5. Women's concentration in part-time and casual employment

Working women generally carry a greater share of the responsibility for caring for family members than working men. As a result of their caring responsibilities, there is a higher concentration of women in part-time and casual employment. This has a number of pay equity implications for women:

- they may not be able to work full-time, take on extra responsibilities, access training and career development opportunities or work in jobs where flexible working arrangements are not available;
- they may have broken employment patterns due to career breaks taken to care for children or other family members, which are likely to have a negative impact on career progression;
- they may be subject to employers' negative perceptions about the effect of family responsibilities on work performance, attitude and loyalty to the organisation which in turn may affect remuneration and promotional prospects.

6. Pay setting methods

According to ABS data (*Employee Earnings and Hours Survey*), methods of setting pay can have an impact on the gender pay gap. For non-managerial employees, the average weekly total cash earnings for employees who had their pay set by individual arrangement were higher for men than women (\$1,323.70 and \$912.70 respectively). Similarly, earnings for employees who had their pay set by collective agreement were higher for men (\$1,242.80) than women (\$891.40). The difference in earnings, however, was significantly less for employees whose pay was set by award only (\$566.20 for men and \$487.20 for women).⁷

7. Gender discrimination

Ian Watson of Macquarie University examined the gender pay gap among full-time managers in Australia over the period 2001-2007, and found that between 70 and 90 per cent of this earnings differential cannot be explained by a large range of demographic and labour market variables. In fact, he found as much as 70 per cent of the gap is "simply due to women managers being female."⁸

7 ABS Cat. 6306.0, *Employee Earnings and Hours* (2010), <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6306.0May%202010?OpenDocument>
8 Watson, I. (2009), *The Gender Wage Gap within the Managerial Workforce: An Investigation Using Panel Data*, 2009 HILDA Survey Research Conference, The University of Melbourne, 17 July 2009: 28.

Closing the Gap: Improving Australia's Economy

Closing the gap between men's and women's employment rates and boosting women's productivity in the workplace would significantly boost Australia's economic activity.⁹ Fair remuneration practices attract talented staff and influence positively morale and motivation which results in increased productivity.¹⁰

- The 17 per cent pay gap between working men and women costs the Australian economy \$93 billion each year which can be equated to 8.5 per cent of Gross Domestic Product (GDP);¹¹
- If the gender wage gap was reduced by just one per cent from 17 to 16 per cent, the Australian economy would grow by 0.5 per cent of GDP;¹²
- If the detrimental effects of the gender pay gap were eliminated, the average wage of an Australian woman would increase by \$1.87 per hour or \$3,394 annually adding \$56 billion or 5.1 per cent to total annual GDP, all other factors remaining equal.¹³
- Introducing more flexible arrangements that enable women to reduce the length of time spent out of the workforce due to child bearing, rearing and other caring responsibilities could reduce the gap between men's and women's earnings and potentially increase GDP by up to 9 per cent;¹⁴
- Implementing policies to reduce occupational and industry segregation could reduce the gender pay gap by up to 32 per cent and have a positive impact on economic growth.¹⁵

Closing the gap between men's and women's employment rates and boosting women's productivity in the workplace would significantly boost Australia's economic activity.

Closing the Gap: Benefits to Business

- **Reduced staff turnover:** Organisations are better positioned to retain existing staff, and reduce recruitment costs and instability caused by high staff turnover.
- **Reduced risk of legal claims:** Organisations are less likely to be exposed to costly, time-consuming and damaging discrimination complaints as a result of unequal remuneration.
- **Broader talent pool:** Women now represent over 56.2% of university graduates and therefore make up a large proportion of new talent entering the market.¹⁶
- **Improved morale and productivity of employees:** Pay is one of the key factors affecting motivation and relationships at work. Satisfied staff equals higher productivity.¹⁷
- **Competitive advantage:** Leading organisations recognise the value of gender pay equity as a talent attraction strategy and retention tool and therefore have a competitive advantage.
- **Compliance with the law:** Organisations need to be aware of new equal remuneration provisions in the *Fair Work Act 2009*.¹⁸

9 Goldman Sachs JbWere (2009), Australia's Hidden Resource: The Economic Case for Increasing Female Participation.

10 McKinsey & Company, (2010), Women at the top of corporations: Making it happen, p.7

11 NATSEM, (2010), Report to the Office for Women, Department of Families, Community Services, Housing and Indigenous Affairs, *The Impact of a Sustained Gender Wage Gap on the Australian Economy*, p. 5.

12 Ibid.

13 Ibid.

14 KPMG & Diversity Council Australia, Understanding the Economic Implications of the Gender Pay Gap in Australia, November 2009.

15 Ibid.

16 Department of Education, Employment and Workplace Relations (2011), U Cube data: Completion Count by Gender (latest data available); <http://www.highereducationstatistics.deewr.gov.au/Default.aspx>

17 Diversity Council of Australia, (2010), Auspoll Survey on Pay Equity.

18 *Fair Work Act, (2009)*, Part 2.7 <http://www.comlaw.gov.au/ComLaw/Legislation/Act1.nsf/all/whatsnew/40A41410F3DF7719CA25759E0011E7FF?OpenDocument>



The most effective way for an organisation to uncover unequal pay and address the associated issues is to carry out an annual gender pay equity audit.

What Can Be Done to Close the Gap?

Understand the issue

It is important to understand what the gender pay gap is all about. Organisations can access useful information, resources and tools on the dedicated Pay Equity Resources section of EOWA's website.

Conduct an annual gender pay audit

The most effective way for an organisation to uncover unequal pay and address the associated issues is to carry out an annual gender pay equity audit. The **EOWA Pay Equity Audit Tool** can provide a pay equity gap figure for the whole of an organisation and a breakdown of any gender pay gaps that occur by branch or department within an organisation. The tool can also be customised to provide feedback on remuneration by job type (e.g. engineer, administration assistant or business analyst).

Conduct a workplace pay analysis

Organisations that report to EOWA can use their 'Workplace Profile' as a starting point for a pay analysis. This profile is used to identify the number of women at different levels within an organisation and to analyse basic pay data.

Improve accountability

Organisations should put in place an equal pay policy and ensure effective implementation of this policy through appropriate accountability mechanisms e.g. monitoring of the policy and its implementation by the board/governing body; include the achievement of pay equity in the CEO's/managers' KPIs.

Aim to be an industry leader

Organisations that report annually to EOWA may apply to become an EOWA Employer of Choice for Women (EOCFW) recipient. This citation recognises organisations that deliver improved outcomes for women within their workplaces, and those that are leading the way in creating equitable, fair and flexible workplaces. The citation enhances an organisation's corporate image, and is commonly used as an attraction tool in recruitment processes. In the area of pay equity, to be successful for the citation, organisations must conduct a gender pay equity analysis and provide detailed information on the type of analysis conducted, an explanation for any gaps both by-level and overall, and detail what strategies are in place and what actions are being taken to address pay equity.

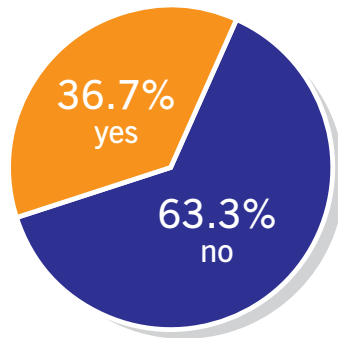
Review human resources policies and procedures

Human resources policies and practices should be reviewed to ensure they do not directly hinder career progression for female employees e.g. not permitting part-time work at senior levels, or embed gender bias in job evaluation and remuneration frameworks.

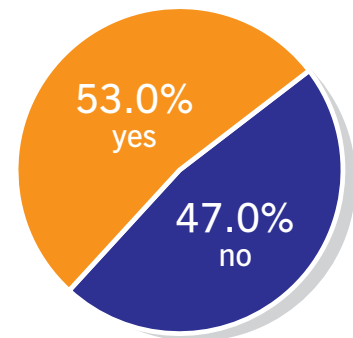
What's Happening Now?

Each year EOWA conducts a short telephone survey of reporting organisations in relation to equal opportunity practices. In 2010 EOWA conducted a survey in relation to pay equity. This survey showed that there is insufficient action being undertaken.

Does your organisation conduct an annual gender pay equity analysis?



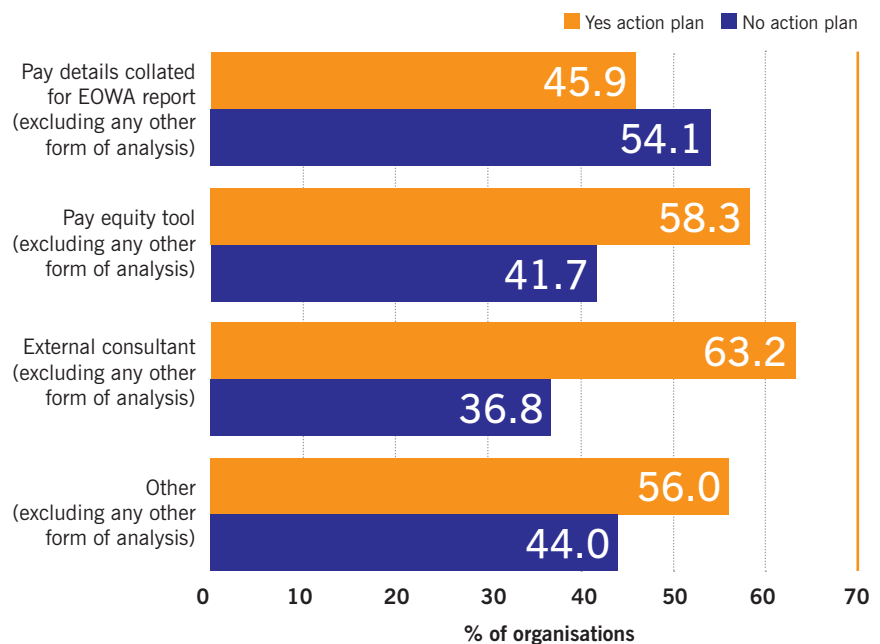
Does your organisation have an action plan as a result of your analysis?



- 36.7 per cent of surveyed EOWA reporting organisations conducted an annual gender pay equity analysis in 2010 and, of those, 53 per cent had an action plan to address the gender pay gap as a result of that analysis.¹⁹

36.7 per cent of surveyed EOWA reporting organisations conducted an annual gender pay equity analysis in 2010.

Likelihood of having an action plan to address pay equity based on type of gender pay equity audit in EOWA reporting organisations



- Organisations that collated their pay details for their EOWA report (excluding any other form of analysis) were *less likely* to have an action plan to address pay equity than those who had engaged an external consultant or used a pay equity audit tool.²⁰

¹⁹ EOWA, (2010), Annual survey data.

²⁰ Ibid.