

Economic benefits of improving pay equity

There are significant economic gains available through lifting women's workforce participation and improving women's relative pay can change the threshold for women's participation in paid work.

NATSEM

- A recent NATSEM report, *The Impact of a Sustained Gender Wage Gap on the Australian Economy* (March 2010), found that the key reasons for the gender pay gap were the variables: “being a woman (60%)” (unexplained residual part of the pay gap); industrial segregation (25%); labour force history (7%); under-representation of women with qualifications (5%); under-representation of women in large firms (3%).¹
- The research also shows that there are significant economic benefits to addressing the wage gap with NATSEM finding that:
 - the 17 per cent pay gap (at the time the research was conducted) 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);
 - if the gender wage gap was reduced by just one per cent the Australian economy would grow by 0.5 per cent of GDP;
 - if the detrimental effects of the sex difference 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.

NATSEM found that the gender wage gap has a substantial effect on Australia's economic performance, measured in terms of GDP per capita, and that the value of reducing the gap is substantial. This paper identifies the key determinants of the wage gap in Australia and the impact of the wage gap on the Australian economy. It highlights the considerable impact that discrimination and other differences between men and women, including differing motivations and preferences, can have on reducing the earnings of women relative to men, irrespective of similar labour force and work-related characteristics.



KPMG

See also the Diversity Council of Australia, *Understanding the Economic Implications of the Gender Pay Gap in Australia* (November 2009).² This report, commissioned by Diversity Council Australia and prepared by KPMG, has outlined the huge cost to the economy of the persistent gap between men's and women's wages in Australia.

KPMG found that the potential economic impacts could be significant where policies addressing the factors underlying the gender pay gap are implemented by governments and/ or adopted by individual organisations or sectors. For example:

- 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 economic activity by up to 9 per cent; and/ or
- 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 growth.

Goldman Sachs JBWere

See also *Goldman Sachs JBWere 'Australia's Hidden Resource: The Economic Case for Increasing Women's Participation'* (November 2009).³ 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. The report finds that:

- Disparities in men's and women's income have grown;
- Women are more educated than their counterparts who are men;
- Women are underrepresented across industries; and
- Women are overrepresented in particular roles.

The report demonstrates that the rise in women's employment rates since 1974 has improved economic activity by 22 per cent, but indicates that further reforms and policies are needed to unlock the hidden value of Australia's women's labour pool.

Skills Australia

Skills Australia's 2010 study *Australian Workforce Futures Strategy* (<http://www.skillsaustralia.gov.au/>) found that the participation rate for women 25-34 is 74%, the 10th lowest in the OECD.⁴ Around 46% of employed women in Australia work part-time, which makes them economically vulnerable. The World Economic Forum 2009 report ranked Australia first in women's education but 30th for women's workforce participation.

1 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 http://www.canberra.edu.au/centres/natsem/publications?sq_content_src=%2BdXJsPWWhOdHAIMOEIMkYIMkZ6aWJvLndpbi5jYW5iZXJyYS5iZHUuYXUIMkZuYXRzZW0IMkZpbmRleC5waHAIMOZtb2RIJTNEcHVibGJyYXRpb24IMjZwdWJsaWNhdGlvbiUzRDExNzAmYWxsPTE%3D

2 Diversity Council Australia, *Understanding the Economic Implications of the Gender Pay Gap in Australia*, November 2009. <http://www.dca.org.au/Performance/Publicationsandresources/Genderpaygapreport.aspx>

3 Goldman Sachs JBWere (2009), 'Australia's Hidden Resource: The Economic Case for Increasing Female Participation,' available at <http://www.gsjbw.com.au/?p=MediaReleaseArchive>

4 Skills Australia (2010), *Australian Workforce Futures Strategy*, www.weforum.org/pdf/gendergap/report2009.pdf