

Understanding the gender pay gap: key factors that contribute to the gap in women's and men's earnings

There is a lack of understanding about pay equity in the Australian community

In 2008, EOWA in partnership with Diversity Council Australia commissioned an Auspoll survey on Australian's Attitudes to Pay Equity.¹

The survey of more than 3000 people revealed that:

- 82% of the general community and 94% of the business community are aware Australian women, on average, earn less than Australian men;
- 80% of the general community and 96% of the business community believe that action must be taken to close the gap between men and women's earnings;
- 88% of the general community and 61% of the business community don't have a full understanding of pay equity.

These findings reveal that while there is some understanding of gender pay inequity and recognition that steps need to be taken to address the gap, the complexities of the problem are not fully understood by the Australian public or Australian business.

Women believe that pay equity is a problem for not just themselves, but for the Australian economy

A survey released by 2020 Women shows that:

- 92% of respondents believe action must be taken to close the gap
- There is a role for employers, unions and the government in addressing the problem
- 94% of respondents believe that pay inequity should be reported when it occurs
- 87% believe the pay gap impacts Australia's economic growth

Factors that contribute to the gender pay gap

There are a number of complex and often interrelated factors that contribute to the gender pay gap. These include:

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. The New Zealand Pay and Employment Equity Unit have a useful fact sheet on equitable job evaluation processes.



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 then to examine the whole remuneration package and not just base pay (eg. allowances, use of a car, health insurance, superannuation contributions and bonus and performance based payments).

Occupational and industrial segregation

The reasons for women's concentration in particular occupations and industries include traditional stereotypes regarding the role of women, and in some cases, legislative restrictions on the employment of women in particular areas.

Recent *ABS Labour Force* data also show that the proportion of females working in some of the higher paying male dominated industries decreased while the proportion of females working in certain lower paying female dominated industries increased (see Table below).

Proportion of full-time adult employees that are female

Industry	2008 %	2009 %	Nov 08-09 % change
Full-time total females			
Agriculture, forestry and fishing	17.0	19.1	19.1
Mining	14.6	11.4	11.4
Manufacturing	20.2	20.2	20.2
Electricity, gas and water and waste services	17.9	17.6	17.6
Construction	6.5	7.0	7.0
Wholesale trade	26.5	24.2	24.2
Retail trade	43.8	44.7	44.7
Accommodation and food services	46.2	44.4	44.4
Transport, postal and warehousing	18.1	15.6	15.6
Information media and telecommunications	34.0	37.5	37.5
Financial and insurance services	46.1	45.2	45.2
Rental, hiring and real estate services	39.6	41.9	41.9
Professional, scientific and technical services	35.6	35.7	35.7
Administrative and support services	47.8	43.0	43.0
Public administration and safety	41.3	43.2	43.2
Education and training	62.3	62.6	62.6
Health care and social assistance	70.8	70.8	70.8
Arts and recreation services	30.2	40.8	40.8
Other services	30.7	29.4	29.4
Total full-time females	34.2	34.7	34.7

Source: 6105.0 Australian Labour Market Statistics
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Table 4. Employment Type: Employed persons by Sex, Full-time/part-time and Industry (ANZSIC 2006), November 2008-November 2009

[http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/C64CE87B084CEFA9CA2577610011FF14/\\$File/employment%20type%201992-2009.xls#Industry \(ANZSIC 2006\)!A1](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/C64CE87B084CEFA9CA2577610011FF14/$File/employment%20type%201992-2009.xls#Industry (ANZSIC 2006)!A1)

A lack of investment in women through training and development

Even though women significantly outnumber men as university graduates, they are not receiving the same degree of education and training within workplaces.

Some reasons may include:

- 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 (see *Generation F: attract, engage, retain*)

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. Women's concentration in part-time and casual employment has a number of pay equity implications:

- 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.

For further information see the *2008 EOWA Survey on Workplace Flexibility*.

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 and in hourly terms, the gender pay gap was largest for those on AWAs, at 14.0 per cent, compared with 11.3 per cent for those covered by registered collective agreements and -6.6 per cent for those on awards (that is, females on awards had higher hourly total earnings than males on awards).²

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, as much as 70 per cent of the gap is “simply due to women managers being female” in other words, discrimination.³

For further information on executive remuneration, see *Pay Power and Position: Beyond the 2008 EOWA Australian Census*, which explores the status of women at Board Director and Executive Manager Level in the ASX 200.

Key findings include:

- Median remuneration of women in line positions is 89% that of men in line positions. For support positions, female remuneration is 63% of the male median.
- Remuneration generally increases as companies get larger (measured by market capitalisation) but it increases much faster for men than for women. Remuneration of women executives in the smallest companies is closer to parity with that of men.
- The gender pay gap for female executive managers is significant and in some positions (CEO and Finance) women earn less than half of their male equivalents. Even in positions where women are more likely to work they earn significantly less than their male counterparts.



1 EOWA & Diversity Council, (2008), Auspoll Survey on Pay Equity

2 ABS, Category 6306, Employee Earnings and Hours, Australia, August 2008, Table 9

3 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, available at; http://www.melbourneinstitute.com/conf/hildaconf2009/Papers/Session%207A/Watson,%20Ian_paper.pdf