Introduction

The gender pay gap is the difference between women’s and men’s average weekly full-time equivalent earnings, expressed as a percentage of men’s earnings. For example, if women’s average wage is 80% of men’s, then there is a gender pay gap of 20%. The Workplace Gender Equality Agency (Agency) calculates the national gender pay gap using Australian Bureau of Statistics’ (ABS) Average Weekly Full-Time Earnings data (cat. No. 6302.0). The national gender pay gap is currently 17.9% and has hovered between 15% and 18% for the past two decades.¹

The national gender pay gap represents the average difference in wages across the whole population of women and men in the workforce. Gender pay gaps can also be calculated for industries, occupations and individual organisations, and these are usually different from the national figure. Gender pay gaps in favour of men are found in every single industry (see the Agency’s Gender pay gap statistics fact sheet). Most often the gender pay gap is discussed in the context of the aggregated, national estimate, and this is the ‘default’ figure referred to as the gender pay gap in this paper.

Despite decades of legislation designed to prevent it, discrimination on the basis of sex in Australian workplaces persists. Sex discrimination has long-term negative effects for both women and men, although the consequences are more readily observed in the lives of women.

Women’s disjointed career trajectories are mirrored in the way the gender pay gap changes over the life course. The gender pay gap exists from first entry to the workforce and increases substantially during the years of childbirth and childrearing, a time when many women have reduced their engagement with paid employment to take on family care work. The gap then stabilises and narrows slightly from mid-life, when many women increase their paid work and sometimes develop new careers after their children have grown up. The gender pay gap narrows further in the years leading up to retirement with a substantial drop during retirement when men’s income is usually reduced.

This paper explores the relationships between parenting, work and the gender pay gap, and provides insights into the ways that organisations can help address the gender pay gap by supporting parents in the workforce to more easily manage their paid work and family commitments.

The gender pay gap

Australia has a long history of public interest in the relationships between gender and income. A legislated system of unequal award rates for women and men operated in Australia from 1912 until it was finally abolished in two landmark equal pay cases in 1969 and 1972.² In the 1972 equal pay case, the Commonwealth Conciliation and Arbitration Commission decided that all award rates would be set “…without regard to the sex of the employee,” and for the first time the concept of ‘equal pay for work of equal value’ was introduced to the Australian labour system.³

Forty years have passed since these regulatory changes were made, yet Australian women’s average earnings continue to be lower than men’s. The gender pay gap represents a considerable cost to the Australian economy, estimated to be $93 billion each year (equivalent to 8.5% of Gross Domestic Product).⁴ The gender pay gap exists from the time women first enter the workforce and applies to most types and levels of work. Having a degree does not negate the gender pay gap and graduate starting salaries for women are often less than those for men.⁵
women are often less than those for men.\(^5\) This issue is not unique to Australia; gendered patterns of pay persist around the world, despite the introduction of a range of equal pay reforms.

The gender pay gap is influenced by complex interactions between factors in work, family and society, but 60% of the gap has been attributed to gender alone.\(^6\) Although this seems quite clear-cut, the reasons behind this apparently simple statistic are also highly complex. Structural factors that feed into the gendering of pay include segregation between women and men in industries and occupations, historic undervaluing of female-dominated work,\(^7\) the methods used to set wages\(^8\) and organisational culture.

The effect of parenting on work and the gender pay gap is the focus of this paper. These effects begin with pregnancy and include decisions to reduce paid work to look after children,\(^9\) the length of parental leave taken\(^10\) and the way in which family caring work is divided between parents.\(^11\) There are also social factors that feed into both individual and structural influences on the gender pay gap, and these include stereotypes about what is appropriate work for women and men, attitudes towards pregnancy, parenthood and domestic labour, and beliefs about gender roles.\(^12\)

### Pregnancy, parenting and work

The gender pay gap affects most women in the workforce to some degree over the course of their working lives. However, it is during the years when many women are balancing paid work with unpaid caring responsibilities in the home that the gender pay gap widens considerably. During this time, the cumulative loss of earnings that women experience usually becomes irreversible, regardless of their subsequent paid employment, and there are few women who end their working lives having earned the same as, or more than, men working in similar employment.

Becoming a mother begins to have an impact on women’s earnings and career progression from the time they first fall pregnant. In US research, pregnant women were considered less competent and less qualified for a promotion than non-pregnant women.\(^13\) Visibly pregnant women were also judged to be less committed to their roles, less authoritative, less dependable, more emotional and more irrational than other female employees who were not pregnant.\(^14\)

Recent Australian statistics further reveal that nearly one in five women who recently had a child reported that they perceived workplace discrimination related to their pregnancy.\(^15\) The most commonly reported types of discrimination during pregnancy were missing out on an opportunity for promotion and being excluded from training and development opportunities.\(^16\) Pregnant women reported being left out of long-term projects or not being included in the hiring and delegation decisions related to their maternity leave arrangements.\(^17\) Another recent study by the Australian Human Rights Commission found that almost half of mothers (49%) experienced discrimination relating to pay, conditions and duties, while a similar proportion (46%) experienced discrimination relating to performance assessment or career advancement opportunities.\(^18\) Observations of how they are treated during pregnancy can shape women’s expectations of how their workplaces and motherhood will interact, thereby influencing their decisions about returning to work after parental leave.\(^19\)

Economists have reported that raising children accounts for a 17% loss in lifetime wages for women.\(^20\) Many women move into ‘mother-friendly’ occupations when they have children. These occupations may be lower-paid than the work a mother may have done prior to having a child, and often do not reflect the woman’s abilities, education level or work experience\(^21\) (‘human capital’).

Women who move into mother-friendly occupations can lose opportunities to accrue human capital, while the value of their existing human capital reduces over the time it remains dormant.\(^22\) This loss of human capital accrual and value contributes to the gender pay gap because it places many women at a disadvantage in the
job market, and reduces women’s opportunities to regain the type of work and level of remuneration they may have enjoyed prior to having children.

Taking parental leave also has a negative effect on women’s wage growth and this pay penalty increases with the length of leave. Analysis of the 2009 Household Income and Labour Dynamics Australia (HILDA) data showed Australian women returning to work after 12 months’ parental leave were subject to an average 7% wage penalty (known as the ‘motherhood penalty’), increasing to 12% over the subsequent year.23 This reflects a reduction in wage growth over time, with the greatest impact being felt while a mother has an infant child.24 In contrast, a Swedish study showed that fathers’ use of parental leave had a direct positive impact on their partners’ earnings. With each month the father stayed on leave, his partner received a 6.7% growth in earnings.25

Mothers’ earnings reduce further with each additional child, particularly the third, and women with three or more children are less likely to participate in the labour market.26 In this way, larger family size has a lasting negative impact on women’s workforce participation and lifetime earnings.27

Becoming a mother can also change how a woman is perceived in her workplace. In US research, working mothers were given higher ratings of warmth and lower ratings of competence than childless women.28 Other research found that people were less interested in hiring, training or promoting a working mother than a childless woman.29 In a US study of employers’ recruitment practices, mothers were less likely to be interviewed for positions than either fathers or childless women, and were rated as deserving lower salaries than childless women. The researchers suggested that when employers believed that mothers should not be in paid work, they were more likely to rate them according to that negative perception.30

The transition into parenthood affects fathers’ work participation, pay and career trajectories less than mothers’. Compared to women, men are more likely to return to work in a full-time capacity after the birth of a child. Both women and men reported that finding time to spend with family was one of the top work-life challenges, with the most popular solution being workplace flexibility.31 However, the difficulties that men experienced when trying to access flexible working arrangements were significant barriers to men’s greater participation in childcare and unpaid domestic labour.32

In direct contrast to the results for mothers, becoming a father was associated with stronger career growth and higher pay compared to childless men.33 Working fathers also gained higher ratings of warmth and equal ratings of competence compared with their childless male counterparts.34 Fathers were viewed more positively for hiring than non-parenting men, while mothers were less likely to be hired or promoted than non-parenting women.35 Employed fathers were also perceived to be better parents and more competent than employed mothers.36

However, fathers who experienced family conflicting with work received lower performance ratings than childless men.37 This suggests that men may be rewarded for being fathers only so long as they conform to the gender role stereotype of the breadwinner.

From this it is clear that the gender pay gap that exists when women and men first enter the workforce widens considerably when women become pregnant and have children. The human capital and earnings disadvantages that women incur at this point in their lives are rarely, if ever, able to be recouped later in life. The long-term effect of those disadvantages is magnified by the changes women make to their paid employment in order to raise children.

Work patterns and parenting

In Australia, the number of male breadwinner households with a stay-at-home spouse has been declining and the labour force participation rates of women have been steadily increasing.38 Even so, women still undertake most of society’s unpaid care work.39 Over the life course, the time that Australian women spend on household labour fluctuates considerably, yet for men it remains quite stable.40 When children are born, men’s time on housework tends to decline, even though the overall domestic workload increases. In addition, men’s paid work usually remains stable during this life stage, indicating that becoming a parent does not usually result in big changes to fathers’ paid or domestic workloads.41

This gendered division of caring and domestic labour has been linked with gender inequality in the workplace.42 Women were perceived to be the primary carers at home and workplace managers assumed that female employees would experience conflict between family life and work more often than men. As a result, women were less likely to be nominated for promotion.43 It has been argued that gender equality in
the workplace will not be achieved without changes in gender roles in families and vice versa. At present, a common way for women to balance their work and family roles is by shifting to part-time paid work.

**Part-time work**

In Australia, it is historically more common for women to be in part-time work or not in the labour force than men. As a percentage of the labour force, 44% of women and 16% of men work part-time. This percentage of female part-time employment (44%) is almost double the 2012 OECD average of 26.4%, indicating that this rate is comparatively high. The pattern of workforce participation for women has also been linked to the age of the youngest child in a household and motherhood is directly related to the likelihood of being in part-time employment.

The Pregnancy and Employment Transitions Survey (PaETS) found that of women in the workforce who had a child under two years old, 84% worked part-time, while 86% of their partners worked full-time. These statistics indicate that part-time employment is a popular method of managing work and family responsibilities for women in Australia. However, part-time work has negative effects on women’s wages growth and on their capacities to accrue human capital.

**The part-time penalty**

Australian research has shown that the wage penalty incurred by mothers returning from parental leave occurs whether or not they return in a part-time or full-time capacity, but women who return to part-time work receive an additional part-time penalty, largely because flexible or part-time work is often perceived as career limiting and something that women are more likely to do. Research has consistently shown that the part-time penalty goes beyond direct income to include reduced promotional opportunities and career plateaus. Thus, taking career breaks and working part-time not only reduces women’s current income, but also constrains their long-term earning potential, and their earning capacities may never fully recover. Download our economic perspective papers for more information.

The part-time pay penalty is an international phenomenon. A 2005 analysis in Britain reported the hourly earnings for part-time employees were 25% less than full-time employees. This gap was explained by the occupational segregation of those who work part-time and the lower wages associated with the types of roles available on a part-time basis.

Conversely, Australian research found that women in part-time work are paid up to 9% more, on average, than men in part-time work. This hourly premium was not due to the casual loading that compensates for leave entitlements, as it appeared when comparing permanent full-time and part-time employees. Booth and Wood suggested that it may be due to marginal tax rates or because part-time employees were very productive with their time and employers were therefore willing to pay a premium.

One explanation for the apparent anomaly that Australia appears to have a negative part-time penalty in comparison to other developed countries is that part-time employment in Australia is female-dominated and highly segregated between occupations and industries. Data from the ABS showed that the average gender pay gap in part-time employment was -5.5% (in favour of women). Women were being paid more than men if they worked in part-time employment as community personal and service workers (-18.8%), labourers (-8.8%), clerical and administrative workers (-7.0%), sales workers (-4.5%) and managers (-3.5%). Men earned more than women if they worked in part-time employment as professionals (17.8%), technicians and trades workers (17.0%) and machinery operators and drivers (1.5%). These statistics suggest that what appears to be a part-time pay premium in Australia may be largely a facet of gender segregation by occupation and industry.

**Other drawbacks of part-time work**

Earnings aside, part-time roles do not have the same security and predictability as full-time work, having usually less responsibility, being less challenging, and less likely to result in a promotion when compared to full-time roles. Part-time jobs are thus generally unlikely to accelerate a person’s career, and this is one of the main reasons for people choosing not to use these work arrangements. The career plateau associated with part-time work also adds to the part-time earnings penalty by reducing the value of human capital for
Flexible working arrangements can allow women to continue to accumulate human capital even if they are focusing more on unpaid work than paid work for a period of time. Encouraging men to use flexible working arrangements also benefits women by providing them with increased time available to be in paid work, while providing men with opportunities to be more involved in family life. More about men and flexibility with increased time available to be in paid work, while providing men with opportunities to be more involved in family life. More about men and flexibility can be found in the Engaging men in flexible work perspective paper.

Flexible working arrangements vary with people and workplaces, are highly individual and can be formal or informal. The Fair Work Act (2009) and Fair Work Act Amendment (2013) mandate that employees can request flexible working arrangements if they have caring responsibilities (including for children of school age...
of gender equality in senior roles, there is evidence to suggest that senior roles are often quite inflexible in nature. This indicates that, like part-time senior roles, flexible senior roles are rarely proactively created and for men who want to advance into these positions.

The lack of flexibility in senior roles is also limiting for men who want to adopt flexible work arrangements, and only a small number of male leaders have engaged in flexible working arrangements in any meaningful way. Having the flexibility to manage their family/personal life was in the top five desirable job characteristics for all men while for younger fathers it was the third most highly valued job characteristic.

Organisations at the intersection of the gender pay gap and parenting

Organisations can help reduce the gender pay gap by ensuring they have policies, strategies and other mechanisms in place that support parents – both women and men – to manage their family responsibilities while maintaining their paid work commitment, for example:

- part-time and flexible working arrangements (e.g. job sharing) that are available to all employees at all levels of the organisation
- jobs, workflows and career paths that are designed to encompass flexible work (e.g. jobs redesigned to accommodate job sharing arrangements)
- a company culture that supports both women and men to adopt flexible working practices or part-time work; this may include addressing supervisors’ expectations around gender and flexible work
- support for pregnant women and mothers returning to work to continue to be valued members of the workforce with access to the same opportunities as their colleagues
- wage setting and pay scales that encompass the ‘equal pay for equal work’ principle, and which ensure part-time workers are compensated at the same levels as their full-time counterparts
- performance evaluation and development criteria that are designed to be gender-neutral and which do not disadvantage employees who adopt part-time or flexible working arrangements
- salary transparency, while not always possible due to confidentiality concerns, is necessary if employees are to understand whether they are being paid fairly in comparison to their equivalent colleagues
- training managers in how to manage employees who adopt flexible work practices.

Conclusion

As with most developed countries, Australia has a persistent gender pay gap wherein women earn, on average, less than men. This gap has not substantively changed for more than two decades. The gender pay gap fluctuates over the life course and is influenced by many interrelated factors. Being female is the strongest individual contributing factor to the gender pay gap, and this becomes particularly apparent when women have children. For women who return to work after having children, the gender pay gap becomes
inflated by what is known as the motherhood penalty and the part-time penalty. The motherhood penalty refers to loss of earnings experienced by mothers who return to work from maternity leave. The part-time penalty is an additional cost incurred by mothers who return to work part time. Men, by contrast, do not usually experience any significant change to their working arrangements or their earning capacities when they become fathers. However, for men who want to spend more time involved in their family life, accessing flexible working arrangements can be extraordinarily difficult. If employers address these unequal outcomes for mothers and fathers in the workforce, this will have a flow-on effect in reducing the gender pay gap.
4 Cassells, R., Vidyattama, Y., Miranti, R. and McNamara, J. (2009), The impact of a sustained gender wage gap on the Australian economy, Report to the Office for Women, Department of Families, Community Services, Housing and Indigenous Affairs. Canberra: NATSEM.
5 WGEA (2016), Gradstats – Starting salaries
6 Cassells, R., Vidyattama, Y., Miranti, R. and McNamara, J. (2009), The impact of a sustained gender wage gap on the Australian economy, Report to the Office for Women, Department of Families, Community Services, Housing and Indigenous Affairs. Canberra: NATSEM.


Ernst & Young (2013), Untapped opportunity: The role of women in unlocking Australia’s productivity potential, p. 3.


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