CLOSING THE GENDER PAY GAP

Chifley Research Centre
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FOREWORD

Friday 31 August 2018 should simply have been a normal Friday. Instead it was a day that marked a failure of both public policy and public will in Australia over more than four decades.

That Friday was officially noted by the Workplace Gender Equality Agency (WGEA) as “Gender Pay Day”. Gender Pay Day marked the additional 62 days that women had to work to earn the same amount as men did in the year ending 30 June 2018.

That is 62 days of unpaid work that women do every year compared to men. As we approach Gender Pay Day 2019 the situation can hardly be said to have improved. This is despite Australia’s first equal pay laws taking effect in 1969.

The fact that this situation still persists 50 years later is a great indictment on what we as a society have tended to act on as our priorities.

It says much about our society that although for most of the last 50 years we have had a desire to close the gender pay gap, progress has been glacially slow. While WGEA has estimated it will take another fifty years to close the gender pay gap we should not be waiting around for the 100th anniversary of the equal pay case to celebrate pay equity.

It is striking that as a society we continue to ignore the overwhelming body of evidence on the economic benefits of increased female labour force participation and closing the gender pay gap.

As economists Augusto Lopez-Clarios and Bahiyyih Nakhjavani point out, “gender discrimination in the workforce is inefficient in the long run. When it leads to the exclusion of women from the labour market, it reduces the gross domestic product per capita. When it manifests itself via the exclusion of women from managerial positions, it distorts the allocation of talent and depresses economic growth” 1.

Research in 2018 from the International Monetary Fund goes even further, in concluding that, "reducing female underemployment should yield greater gains than an equivalent increase in male employment: gender diversity brings benefits all its own" 2.

And for those who seem to think that somehow increasing women’s opportunities and pay is a zero sum game the IMF’s “results suggest that men’s wages will also increase as a result of greater inclusion of women in the labour force since productivity will increase” 3.

These of course are not new ideas, the first Treasury Secretary of the United States, Alexander Hamilton (lately achieving immortality on Broadway) as far back as 1791 urged women to enter the labour force to increase the productive capacity of the country (although he could not actually be called a champion of equal pay) 4.

In recent years, study after study, and inquiry after inquiry, have highlighted the factors leading to gender inequality in the workplace, and, most relevantly for this policy brief, the causes of the gender pay gap. There is still more work to be done on implementing solutions that will close the gender pay gap in a much shorter time frame than that predicted by WGEA.

The Chifley Research Centre (CRC) has been working with PricewaterhouseCoopers Consulting (Australia) (PwC) Pty Ltd to explore the policies needed to help accelerate gender pay parity in Australia. The potential impact of these policies are outlined in this policy brief.

The mission of the Chifley Research Centre is to champion a Labor culture of ideas. The CRC’s policy work aims to set the groundwork for a fairer and more progressive Australia by developing policy solutions that support economic prosperity and social justice.

Accelerating the closing of the GPG will help reduce inequality in Australia and lead to greater economic growth overall.

PwC Australia’s contribution to this report included evidence review, synthesis, economic modelling to provide indicative policy impacts and assisting with stakeholder consultations. I would like to thank Frances Maguire, Marty Jovic, Dr Sharon Ponniah and their team from PwC for their contribution to the substance and writing of this report.

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I would especially like to thank the Working Group of the Chifley Research Centre for their involvement in bringing together this policy brief – Linda White, Kara Keys, Professor Rae Cooper, Senator Jenny McAllister, Emma Maiden and Emma Cannen. Without their input this paper would not have been possible.

All conclusions and recommendations are those of the final authors of the report.

Chifley Research Centre hopes that this policy brief will be an important contribution in developing policy solutions that will accelerate the closing of the gender pay gap.

**Brett Gale**
Executive Director
EXECUTIVE SUMMARY

This policy brief sets out a challenge to accelerate progress in closing the gender pay gap through aspirational and comprehensive policy. We are at a critical point to accelerate change, towards an inclusive economy that creates equal opportunities for men and women alike.

The projected 50 years to close the gender pay gap and achieve gender equality is unacceptable.

Not only is achieving gender equality the right thing to do, it is the economically most sensible thing to do. Successive Intergenerational Reports have highlighted the importance of higher women’s workforce participation to improving Australia’s productivity and prosperity, and to reducing the fiscal pressures associated with providing welfare support to an ageing population. Australia stands to gain an extra $25 billion (or an additional 1% GDP) with an additional 6% of women in the workforce.

While Australia has proudly achieved equity in education, women do not benefit from the opportunities unlocked by education in the same way that men do. This inequity is evidenced early in a career through graduate salaries – male graduates earn approximately $1000 more (up to $5000 more in some industries) than female graduates across every field of study. Over time, differences in wages, career progression and opportunity widen. With women earning less than men over a lifetime, women also retire with less than men ($96,000 compared to $166,000).

In general, Australia’s public policies are not aligned to achieve broader gender equality goals and outcomes. On the one hand, policies like paid parental leave drive progress by reducing economic disadvantage experienced while caring for children. On the other hand, it can be argued that, means testing the child care benefit limits the economic viability of returning to work.

Unfortunately, traditional conventions about women’s work and men’s work still shape how people participate in Australia’s economy. This is reflected in the industries in which women work (health and social care and education) versus the industries where men work (construction, engineering and mining).

Women also continue to pick up the bulk of unpaid domestic work – approximately 64 per cent of their average weekly working time on unpaid care work compared to 36 per cent for men.

While there are a number of figures describing the gender pay gap in Australia, this report calculates the gender pay gap to be 28.7%. This number is calculated as follows:

- Based on ABS Census Data.
- Includes public and private sector employees.
- Includes full time and part time workers.
- Based on median weekly earnings and includes, overtime, bonuses and discretionary income.

This policy brief sets out four key policies that can be implemented by government to accelerate change. With a combination of policies across different policy areas, Australia can accelerate closing the gender pay gap by approximately double over the next seven years compared to current progress.

The collective impact of all the proposed policies would reduce the gender pay gap (GPG) by 12.8 percentage points from 28.7% to 15.9% by 2025. This compares to the current rate of reduction of 3.7% over the past 5 years as projected by current estimates.

There are three key policy areas that need to be addressed:

- **Unequal opportunity** principally through increased transparency measures which address discrimination (conscious and unconscious bias) at work via people, policies and procedures

- **Horizontal segregation** principally through addressing underpayment of women in feminised industries (social, health and education)

- **Unpaid work**, namely child caring responsibilities on women through addressing the value of what is typically thought to be “women’s work” and the role of males as carers.

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6 Daley J, “Game changers: Economic reform priorities for Australia”, Grattan Institute, June 2012
7 BS Gender Indicators, Median starting salary, undergraduates in first full-time employment by study area
9 WGEA, “Unpaid care work and the labour market”, 2016.
The four proposed policies include:

1. **INCREASED PAY TRANSPARENCY**

   Gender discrimination is the biggest contributor to the gender pay gap. To address this, we propose measures leading to increased pay transparency to create an equal playing field between men and women. This will put increased responsibility on employers to address gender inequities and remove barriers for employees to challenge inequity.

   We propose that the government extend the reporting mandate of the Workplace Gender Equality Act 2012 to include all organisations with 100 employees or more across the public and private sectors. Changes also need to be made in removing any adverse action to employees who openly disclose wages or salary.

   Addressing direct and indirect discrimination has the potential to close the gender pay gap by 11.2 percentage points (from 28.7% to 17.5%) in 2025.

2. **CREATE GOOD QUALITY AND ECONOMICALLY SECURE JOBS IN FEMALE DOMINATED INDUSTRIES.**

   Horizontal segregation (also known as gender segregation) in industries is the second biggest contributor to the gender pay gap.

   We propose that the Government implement a blanket uplift in base pay to be commensurate with professional skills and experience through direct amendment of modern awards, and enterprise/collective and individual agreements.

   We recommend creating good quality, economically secure jobs that help to address underpayment of women and meet future workforce needs in industries projected to grow the most (education, health and social care).

   The flow on impacts of this policy include, improving options to change employment contracts to permanent (part time and full time) for insecure jobs with minimal barriers and disadvantage and enhancing workforce participation opportunities by improving options for flexible working.

   Addressing horizontal segregation can potentially reduce the gender pay gap by 2.7 percentage points in 2025 (from 28.7% to 26.0%). This impact is smaller in comparison to other policies as it would impact only 22% of Australia’s workforce. The policy is expected to increase female participation in the workforce, and promote a more gender balanced workforce in industries that have been traditionally segregated by gender.

3. **ADDRESS THE VALUE OF WHAT IS TYPICALLY THOUGHT TO BE ‘WOMEN’S WORK’**

   Women spend substantially more time on unpaid care work than men, which then impacts on their lifetime earnings. Women on average face a wage penalty of about 7% a year for raising children.

   To reduce the impact of disadvantage imposed by unpaid care work we propose that the government change the paid parental leave scheme by increasing the total number of shared parental leave on a ‘use it or lose it’ basis and make further changes to the childcare rebate.

   In addition to reducing the impact of time out of work due to having families for mothers (and primary carers), the proposed policy would also enable uptake of parental leave by men (secondary carers) to help carry the load and to enable more women to return to work in greater capacity.

   Removing the motherhood penalty reduces the gender pay gap minimally from 28.7% in 2016 to 28.2% in 2025. Enabling uptake of parental leave by men reduces the gender pay gap by one percentage point in 2025 (from 28.7% to 27.8%).

4. **SET AMBITIOUS TARGETS AND TIMEFRAMES TO ACCELERATE CHANGE**

   The combined effect of the above proposed policies will significantly accelerate the closing of the gender pay gap. This will concomitantly help reduce inequality and lead to greater economic growth now and in the future.

   Additionally, setting targets for action has the potential to close the gender pay gap within a significantly shortened timeframe and will strengthen the impact and implementation of the policies outlined above.

   Further, we propose using a red light green light approach to government procurement so that the private sector has a stronger incentive to address gender equality in a measurable way or risk losing competitiveness in the market.

   This would apply to companies with 100 or more employees. Additionally, we recommend implementing penalties (i.e. risk losing public sector income streams) on companies for failing to comply with gender pay requirements such as mandatory reporting on gender metrics. Such policies should be extended to organisations such as charities, welfare bodies, educational institutions and the health sector.

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SECTION ONE
1. BACKGROUND

"We won equal pay for equal work in 1967. We won again in 1969 and again in 1972 and 1974. Yet we still do not have equal pay."

– Justice Mary Gaudron, 1979

The road to creating an economically prosperous Australia begins with creating pathways of equal opportunity. Australia, its regions and communities, misses out on skills, ideas and perspectives when women and girls don’t help to shape and benefit from the economy in the same way as men. We are further disadvantaged as a nation when men and boys are subject to social norms and stereotypes of manhood and masculinity that create barriers to domestic participation and unpaid, often crucial, caring roles.

Not only is achieving gender equality the right thing to do it is the economically most sensible thing to do.

As the former Leader of the British Labour Party Harriet Harman has pointed out, “a modern economy thrives in a culture which offers employers the broadest labour pool, makes sure that everyone of working age who is able to participate in the labour market, rather than some being marginalised or excluded”.

In Australia, almost 40 years on from Justice Mary Gaudron’s remarks on equal pay (and over 50 years since the first equal pay case started) we still face an unacceptably large gender pay gap.

Australia ranks 39th out of 149 countries in the World Economic Forum’s (WEF) Global Gender Gap Index, 2018, having fallen from 37th place in 2006. The Index benchmarks national gender gaps on economic, education, health and political criteria, and provides country rankings that allow for effective comparisons across regions and income groups. According to the Report, Australia is a laggard even in our own region. The report notes that for the East Asia and Pacific Region, “with New Zealand and the Philippines, the region is home to two of the overall Index’s top 10 performers, both having closed over 79% of their total gender gap—far ahead of the region’s next best-placed country” — that country being Australia.

While we should be proud of the fact that we are ranked #1 for educational attainment (reflected in equal literacy rates and access to primary through to tertiary education); in terms of labour force participation, wage equality and advancement, Australia has fallen even further than our overall ranking, from 12th to 42nd place.

In the WEF Report Iceland, Finland and Norway rank #1, #2 and #3 respectively.

However, what drives the gender pay gap in Australia is no different to what drives the gender pay gap in Iceland, Finland and Norway. These factors include, but are not limited to, women being more likely to:

- Work in industries with lower average pay;
- Undertake part time work;
- Participate more in unpaid work;
- Take career breaks due to family responsibilities;
- Be paid differently to men, with less access to discretionary income.

The difference is that the gender pay gaps in Iceland, Finland and Norway are considerably smaller than in Australia.

A look at differences in public policies helps to provide some insight into why the gender pay gap in Australia, and the pace of progress to eliminate it is so different from those Scandinavian countries, who are leading the way. Progressive policies and legislation such as the Act on Equal Status and Equal Rights of Women and Men 2000, quotas for female representation on company Boards, and parental leave at replacement wage, have directly impacted the gender pay gap in those nations. This has increased female workforce participation and representation in Governments, on boards and in senior management, as well as male uptake of parental leave and greater wage equality.

Iceland has recently also taken another step towards eliminating its gender pay gap by making it illegal to pay men more than women. Legislation which came into effect on 1 January 2018 places responsibility on companies (who employ 25 people or more) to prove that men and women are paid equally, or pay a fine. Iceland has set an ambitious target to close its GPG completely by 2022.

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14 Ibid, p.3
15 Ibid, p.15
In Australia, it is also illegal to pay women less than men for doing the same work. The Fair Work Act 2009 includes general protections for employees to be free from unlawful treatment and discrimination. Further, the Fair Work Commission (FWC) is empowered to order compliance with equal remuneration orders for work of equal or comparable value. However, unlike Iceland’s recent legislative changes, the onus of responsibility to challenge equal pay for equal work rests with the employee and not the employer which dissuades many employees from pursuing pay equity litigation.

There is substantial economic benefit to be gained in achieving gender equality. An additional six per cent of women in the labour force, for example, would contribute 25 billion dollars to Australia’s Gross Domestic Product (GDP)\(^{18}\). At the current rate of change, closing Australia’s gender pay gap is estimated to take another 50 years\(^{19}\). This means that for the next 50 years, females will continue to earn less over a lifetime, despite living longer than males. Females will also retire with less, putting them at greater risk of poverty and homelessness\(^{20}\). This means that women would rely more on social security systems to manage a standard of living.

Further, many women are unable to rush back to the workforce due to care constraints etc. Unless action is taken to provide greater opportunity for women to ease back into the workforce this will only add to the problem.

We are at a critical point to accelerate change, a timeframe of 50 years to achieve parity is unacceptable. This policy brief sets a goal to accelerate the pace of our actions towards an inclusive economy that creates equal opportunities for men and women alike.

1.1. ABOUT THIS POLICY BRIEF

The purpose of this policy brief is to stimulate a discussion to accelerate our progress towards achieving gender pay equality in Australia. While this paper acknowledges progress to-date, it also prompts continued momentum. This paper focuses on public policy options that can be used to drive and influence change across all Australian industries and organisations.

While it is acknowledged that some of the proposed policies will require considerable Government funding, it is not the purpose of this report to describe how and what mechanisms should be used to deliver funding.

A preliminary economic analysis has been conducted to indicate what impact these policies might have between 2016 – 2025. The economic modelling draws from Australian Bureau of Statistics, Census data and applies the same approach as WGEA to calculate the gender pay gap.

We have quantified the direct impact of implementing these policies, i.e. the impact on the gender pay gap. We also describe additional flow on effects of the recommended policies. These flow-on effects are described qualitatively (i.e. these effects have not been modelled).

The analysis does not consider inflation and discount rates for the extrapolation of gender wage gap because the change in the present value of money remains consistent regardless of gender.

Findings are indicative and intended to complement considerations and discussion.


\(^{19}\) McIlroy T, “Australia’s gender pay gap to last another 50 years”, Sydney Morning Herald, July 2017

1.2. AUSTRALIA’S GENDER GAP AT A GLANCE

Here’s how we currently stack up on key gender gap indicators. Please note the percentage figure indicates female to male percentage.

*Figure 1: Educational attainment opportunities (Primary – Tertiary)*

Figure 1 indicates that in Australia women and men achieve similar education outcomes. 21

*Figure 2: Graduate GPG*

Figure 2 shows that pay inequity in Australia begins from graduation, with women receiving less pay than men from the start of their career. 22

*Figure 3: Wage equity for similar work*

Figure 3 shows that women get paid less for doing the same work as men across all industries. 23

*Figure 4: Women in manager positions*

Figure 4 shows that there are more male managers across all industries in Australia than there are female managers. 24

*Figure 5: Number of new CEOS on ASX 200 boards*

Figure 5 shows that woefully fewer women are represented on ASX boards compared to men. 25

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22 WGEA, “Gender workplace statistics at a glance, Australian Government, June 25 2018
24 WGEA, “Australia’s gender equality scorecard”, Australian Government, November 2018
25 Chief Executive Women, “Women leaders enabling women leaders: Senior Executive Census 2018”, Volume 2, 2018
Figure 66: Unpaid work proportion

Figure 66 showcases that women are more likely to engage in unpaid work in comparison to men, indicating gender norms that sees caring responsibilities as primarily women’s work.  

Figure 7: Where do women and men work

We can see that in Australia there is gender segregation in workforce (see Figure 66 showcases that women are more likely to engage in unpaid work in comparison to men, indicating gender norms that sees caring responsibilities as primarily women’s work.  

Figure 7). Women are over-represented in some industries like health care and social assistance (78%) and education and training (71%). Whereas, industries like construction and mining industries are male dominated industries.  

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26 PwC Australia, “Understanding the unpaid economy”, March 2017  
Figure 8 indicates where the part-time full-time breakdown is by industry in Australia. We can see a common trend where more women engage in part-time work compared to men across all industries.28

Figure 9: Retirement Savings Gap

Figure 9 shows that the average superannuation income earned by men is higher compared to the average for women across all age groups. This peaks at 80-84 age category, indicating that women have lower retirement income compared to men.29

28 Ibid.
1.3. WHAT WAS AUSTRALIA’S GENDER PAY GAP IN 2018?

While this may seem like a simple question, the answer is that it depends on which data set used and how it is calculated. There are many numbers reported that provide a different view of what the GPG is. To simplify, here are the key numbers commonly reported.

<table>
<thead>
<tr>
<th>What’s behind the numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>14.6%</strong></td>
</tr>
<tr>
<td>• WGEA reported, based on ABS data and includes public and private sector employees</td>
</tr>
<tr>
<td>• Based on full time average earnings before tax</td>
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<tr>
<td>• Excluding overtime, bonuses and discretionary income.</td>
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<tr>
<td>• Excludes part time workers</td>
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<tr>
<td><strong>16.2%</strong></td>
</tr>
<tr>
<td>• Based on WGEA dataset of approx. 4.1 million employees</td>
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<tr>
<td>• Excludes public sector employees</td>
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<tr>
<td>• Excludes part time workers</td>
</tr>
<tr>
<td>• Based on full time base salary and excludes overtime, bonuses and discretionary income.</td>
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<tr>
<td><strong>21.3%</strong></td>
</tr>
<tr>
<td>• Based on WGEA dataset of approx. 4.1 million employees</td>
</tr>
<tr>
<td>• Excludes public sector employees</td>
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<tr>
<td>• Excludes part time workers</td>
</tr>
<tr>
<td>• Based on full time total remuneration and includes overtime, bonuses and discretionary income.</td>
</tr>
</tbody>
</table>

In this report, we have calculated the Gender Pay Gap as follows,

| **28.7%**                                            |
| • Based on ABS 2016 Census data                      |
| • Includes private and public sector employees       |
| • Includes full time and part time workers           |
| • Based on median weekly earnings and includes overtime, bonuses and discretionary income |

The Gender Pay Gap reported here (28.7%) is higher compared to the WGEA reported GPG numbers. This is due to differences in calculation that include:

- Public and private sector workers as well as full time and part time workers to enable a more holistic view of Australia’s GPG
- Over-time and bonuses because the way bonuses are allocated to men and women contribute significantly towards Australia’s GPG.  

The figure of 28.7 is the base gender pay gap that this report utilises for all its calculations and modelling. We believe it is a true reflection of the actual state of affairs.

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30 WGEA, “Gender Pay Gap”, 2018
31 Ibid.
32 Ibid.
SECTION TWO
2. POLICY APPROACHES

While the gender pay gap in some senses is a simple measure of the shortfall between the average wages for men and women, the factors underlying why the gap exists are far from simple. A complex interplay of causes impacts our overall gap of 28.7%.

Much research work has been done over many years into the structural, cultural and other causes of gender inequality in pay. The work of the Senate Finance and Public Administration References Committee into “Gender segregation in the workplace and its impact on women’s economic equality” is of particular importance in setting out the factors underpinning the gender pay gap.\(^{34}\)

It is not the purpose of this policy brief to again report on the causes outlined elsewhere. However, a quick summary of causes are: sex discrimination, insecure work, career interruptions, industrial and occupational segregation, age and experience, share of part time employment, sector of employment, tenure with current employer, working in Government or NGOs, and limited number of women in positions of seniority.\(^{35}\)

Multiple policy solutions are therefore needed to address these multiple causes if we are to accelerate the closing of the gender pay gap.

For the purpose of this policy brief therefore, we have categorised the prescribed policies into those that aim to reduce the impact of:

- **Unequal opportunity** principally through improving transparency to address discrimination (conscious and unconscious bias) at work via people, policies and procedures

- **Horizontal segregation** principally through addressing underpayment of women in female dominated industries (including social work, health and education)

- **Unpaid work**, (namely child caring responsibilities on women) through addressing the value of what is typically thought to be “women’s work” and promoting the role of males as carers.

2.1. COLLECTIVE IMPACT OF ALL POLICIES

This section describes the indicative impacts of implementing all of the proposed policies. We expect the policies to improve pay parity, thereby narrowing the gender pay gap (GPG) over the medium to long term, in 2025. (i.e. through to 2025

Table 1 includes the collective impact of all of the proposed policies on the overall gender pay gap. The combined impact of the policies sees the gender pay gap reduce from 28.7% to 21.6% in short to medium term in 2020. The largest impact on the gender pay gap is seen over the longer term (2025) where it reduces by another 5.7 percentage points to 15.9%.

There are additional flow on impacts of implementing these policies including:

- Increases to women’s labour force participation which in turn has flow on impacts on women’s lifetime earnings and retirement savings, and so, will narrow the inequality experienced by women later in life.

- More women entering the workforce will also increase growth in Australian GDP per year.

\(^{34}\) The Senate, Finance and Public Administration References Committee, “Gender segregation in the workplace and its impact on women’s economic inequality” 2017.


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2.2. REDUCING THE IMPACT OF UNEQUAL OPPORTUNITY

The single largest factor contributing towards the gender pay gap in Australia is discrimination based on gender. The proportion of the gender pay gap that is attributable to gender-based discrimination in 2014 was 38 per cent, an increase from 35 per cent in 2007.36

Gender-based discrimination manifests in many ways across Australia. It occurs when employment, promotion and earning opportunities are different for women with equal skills and employed in the same job as men.37

Direct discrimination, though prohibited by the Sex Discrimination Act 1984 still prevails. For instance, to take but one extreme professional example to highlight the stark persistence of the impact of gender based discrimination, the first practising female Orthopaedic surgeon in Australia was admitted in 1992. Fast forward to 2016, there are approximately 64 practicing female orthopaedic surgeons in Australia out of 1286 in total. On average a female orthopaedic surgeon earned approximately $168,000 in 2016, compared to a male orthopaedic surgeon who on average earned approximately $463,000 in the same year. This is despite there being fairly equivalent levels of females and males graduating from University with medical qualifications.

Across many industries, female graduates are paid less than their male counterparts. In 2017, the median salary for a female graduate in Science and Mathematics was $56,900 compared to $59,200 for males. In business and management, the median salary was $55,000 for females compared to $58,000 for males.41

Unconscious bias also contributes to this pattern, with male dominated occupational and industry cultures contributing to slower, less equal career opportunity and progression.

Many women also face discrimination through pregnancy, when on parental leave and upon returning to work after having a child. WGEA estimates that women returning to work after 12 months of parental leave experience a 7% wage penalty. The penalty is reflected in lower bonuses and promotions for not only taking time off work but also for adopting flexible work arrangements to manage child care responsibilities.

In recent years, there have been a number of improvements in legislation and policy to promote greater gender equality in the workplace, including amendments to the Sex Discrimination Act 1984 in 2011 that provides protection against direct discrimination on the grounds of family responsibility, and increasing accommodation for breastfeeding mothers.45 While the Act has impacted the most overt forms of discrimination, the impact on more embedded systemic discrimination (e.g. employer discrimination) has been limited.46

A lack of transparency and limited reporting on gender metrics makes it difficult to address discrimination that perpetuates inequities in pay.

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36 KPMG, “She’s Priced(d)less”, The economics of the gender pay gap, October 2016.
37 Ibid.
40 Medical Deans Australia and New Zealand, “2016-17 student statistics reports”, 2016
41 Graduate Income Survey; 2017 Graduate income survey, QILT.
43 WGEA, Parenting, work and the gender pay gap”, 2016.
In Australia, the Workplace Gender Equality Act 2012 requires employers with 100 or more employees to report to WGEA annually against six standardised gender equality indicators, but this is limited to the non-public sector. This captures approximately 40% of Australia’s workforce, but excludes Australia’s biggest employer – the public sector. In order to really begin to shift the dial, change in the public sector needs to begin concurrently with that in the private sector. Most importantly, this data is not made publicly available on an individual company level. WGEA data also does not capture bonuses which is a significant contributor to the gender pay gap in Australia.

The lack of transparency and openness in talking about salary also inhibits an equal playing field. It is still not socially acceptable to talk openly about salary and many organisations enforce policies that prohibit employees from discussing wages. This limits the ability for women to know how they compare and negotiate accordingly with their employer. Studies indicate that women often do not engage in negotiations and when they do, they are likely to ask for less compared to men\(^{47}\). Lack of pay transparency then impacts on their wages, promotions, learning opportunities and working arrangements\(^{48}\).

**Proposed policy solutions**

We propose two policies to address transparency around wages to promote equal opportunity:

- Extend the Workplace Gender Equality Act 2012 reporting mandate to include all organisations with 100 employees or more across the public and private sector. In addition, we need to make individual organisation data publicly available on their websites and via the WGEA website and impose a fine to organisations for non-compliance.

- Implement changes to the Fair Work Act to ban pay secrecy clauses in employee contracts and to remove any adverse action to employees who openly disclose wages or salary.

**2.2.1. MANDATING REPORTING OF WAGE DATA**

Addressing unequal opportunity in the workplace begins with understanding the numbers. Improving productivity, performance and the ability to attract and retain high talent employees is important for all organisations. Understanding differences in what women do across the organisation (which roles), what power and status they hold (which levels), what they get paid (base and total) and in what capacity (part time versus full time) is a good start to seeing where things stand. Reporting it openly also holds organisations to account and resolves inequitable differences internally.

Drawing from leading global practice, we propose that the Government extends the Workplace Gender Equality Act 2012 reporting mandate to include all organisations with 100 or more employees, public and private. In conjunction with the above data collection approach, WGEA should be empowered by legislation to make key metrics on individual organisations’ gender reporting publicly available.

In recent years the United Kingdom has legislated that all organisations with more than 250 employees report their gender pay gap, along with other gender indicators. These included Government departments, councils, trusts, universities, schools and other public bodies. The gender pay gap in the UK public sector was found to be around 14 per cent\(^{49}\).

Changes to the Workplace Gender Equality Act 2012 should include tough penalties (e.g. fines) for non-compliance. For example, Iceland fines non-compliant organisations a daily fee equivalent of AU$600\(^{50}\). Organisations (public and private) should be given an option to opt in to register compliance and reporting before implementation date.

The goal of mandated wage reporting is twofold. One is to capture reporting from a larger section of the workforce, enhancing transparency across public and private sectors. The second is to improve accountability across the public sector to identify inequalities and use the evidence to consider strategies to address the impacts of conscious and unconscious discrimination within organisations.

Capturing public and private sector data should enable gender equality benchmarks to be set over time. This should provide organisations (public and private) with the power to identify areas of strength and improvement opportunities against key metrics in an open and consistent way.

Shining the light on existing pay arrangements via pay transparency will make inequalities in pay more noticeable, and as a result enable equal opportunities to career pathways regardless of gender and family choices.

Additionally, given the current legislative prohibition on gender pay discrimination, public and private companies are expected to be proactive in this space. Arguments on additional costs associated with disclosing pay information should not be given currency.

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48 Ibid.
Some companies already go beyond the WGEA mandated disclosures in their WGEA disclosure responses. In this case the companies concerned are not only serious about addressing the gender pay gap but are keen to identify themselves in a competitive market for talent as an employer of choice for women.

Prior to the last election Federal Labor adopted a policy of ensuring that a similar open and transparent approach applies to companies with 1000 or more employees. According to Labor’s policy announcement; it would have set up a searchable gender pay equity portal which would publish companies headline gender pay gaps, and managerial and non-managerial pay gaps. Companies would have the option of providing a statement explaining their pay gap and actions to address it. Following legislation, the policy would be phased in within two years. Companies that are non-compliant with the WGEA Act will be ineligible to tender for Government contracts and the Minister would publish an annual list of non-compliant companies.

This approach would have been a landmark step forward towards removing pay discrimination. Pushing the reporting requirements beyond those organisations with 1000 employees to those with 100 employees will open up a greater number of organisations (and therefore a larger cohort of women) to measures to address pay disparities within a certain timeframe.

Global leading practice: UK’s policy on mandatory wage reporting

The UK Equality Act 2010 was put into practice in 2017 and required that all private, public and voluntary services with more than 250 or more employees in England, Wales and Scotland publish annual pay gap data annually from 2017.

Public and private sector employers are required to publish the following:

- Mean and median hourly gender pay gaps
- Mean and median bonus payment pay gaps
- Proportion of female and male employees receiving a bonus payment
- Proportion of female and male employees in four quartile pay bands, e.g. those in the top 25 per cent of income earned.

The Equality and Human Rights Commission can issue an ‘unlawful act’ notice to organisations that fail to comply with the scheme, and may require them to develop an action plan to prevent the legal breach being repeated in future years.

PricewaterhouseCoopers UK branch released a report in 2018 discussing the findings from the mandatory GPG reporting.

Key findings were:

- 85 per cent of companies that disclosed have a pay gap in favour of men
- Bonus gaps are generally twice as high as pay gaps to men
- 40 per cent of companies disclosed have a mean pay gap above the Office for National Statistics national average of 17.4 per cent

Source:

“EXPLANATORY MEMORANDUM TO THE EQUALITY ACT 2010 (GPG INFORMATION) REGULATIONS” 2017 No. 172

PwC, “Mandatory UK gender pay reporting – story so far” May 2018

Office for National Statistics “Understanding the GPG in the UK”, January 2018

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51 ACCR, “Gender Pay Equity and Australian Listed Companies, ASX100 Companies commitments and disclosures related to gender pay equity.”
2.2.2 INCREASED TRANSPARENCY ON WAGES

Research suggests that pay transparency including base salary, performance pay and bonuses can improve workplace trust, create greater employer accountability, and improve informed promotion decisions, reducing the likelihood of conscious or unconscious discrimination52.

Transparency provides more information on pay, benefits and working conditions which facilitates greater negotiating power for women by exposing pay gaps between workers doing similar work and encouraging underpaid employees to renegotiate or move to more fitting jobs53. In effect, it helps women demand equal pay for equal work. Further, pay transparency has positive effects on employees' job performance, including greater job satisfaction, work effort and productivity54. The Fair Work Amendment (GPG) Bill 2015 proposed amending the Fair Work Act 2009 to provide that employers may not take adverse action against employees who disclose or discuss their own pay or entitlements. We propose that this amendment be passed and applied to all existing modern awards enterprise agreements, and actual wages.

In addition to outlawing such pay secrecy clauses (Federal Labor has similarly adopted such a policy), we recommend further action also be taken to address women’s pay from the beginning of their careers. As the 2017 Graduate Outcomes Survey in Australia points out female graduates are generally paid less than male graduates in their first job post-graduation55. This means that women start their working life with a gender pay gap.

The existence of this gap at the start of a woman’s career is reinforced every time that they are asked about their current salary in a job interview. Employer questions about current salary tend to set a benchmark from which a firm can make an offer – often leading to short changing prospective female employees. Nine American states have now outlawed this practice, directed at creating more transparency in the workplace. For instance, California Labor Code Section 432.3, prohibits employers from asking job applicants about their salary histories.

In contrast, Australia should also outlaw this practice not just as a way to address one aspect that perpetuates the gender pay gap but as a means of assisting all potential employees. Employers also have responsibility to develop and implement best practice remuneration policies that address gender inequality and equal opportunity. This should include targets or thresholds for pay increases and bonuses to ensure equitable and merit based rewards for men and women. Further, unconscious bias training should be carried out within companies to educate all employees on the subtle ways in which gender bias occur in the workplace. It is important to keep up to date on emerging literature on unconscious bias training to understand what impact it has on promoting gender equality.

POLICY IMPACTS

Our analysis estimates there to be three key impacts as a result of implementing these policies as follows:

- WGEA will be able to report on nearly all of the remaining 60% of Australia’s workforce that it doesn’t currently include. This means that we will have rich data on an additional 7.6 million Australians.
- Penalties for non-compliance will drive organisations to report and to resolve differences in gender pay disparities.
- There will be a reduced wage penalty experienced by women across all industries (public and private) through improving wage transparency and placing responsibility on organisations to adopt good practice policies.

Our analysis was informed by our working group and a US study that found women’s wages to be higher (up to 12%) in those states with pay secrecy laws relative to the non-pay secrecy law states56. Drawing from this evidence, we have incorporated an increase in base pay of 15% for all women, distributed evenly over the modelling period, 2016-2025. It is applied as a proxy to evaluate the impact of improving wage transparency across all industries (public and private). Our modelling does not consider the impact of financial penalties (e.g. if fines are imposed for non-compliance with pay secrecy laws, this could further increase pay transparency and women’s overall pay) and is therefore a conservative estimate.

Table 2 outlines the potential impacts of removing unequal opportunities. Our analysis suggests that the GPG reduces from 28.7% to 23.0% in the short to medium term. It further decreases to 17.5% in the longer term.

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54 Ibid
2.3. REDUCING THE IMPACT OF HORIZONTAL GENDER SEGREGATION

The tendency of men and women to be disproportionately employed in different industries and occupations (which is often termed horizontal gender segregation) has been a longstanding gendered feature of the Australian labour market. Industries like health care and social assistance, and, education and training, have typically been dominated by women, whereas in industries like mining and construction women are under-represented.

As the Senate Inquiry into gender segregation stated, "In 2015-16 six in 10 Australian employees worked in an industry which is dominated by one gender. To put it another way, 60 per cent of Australian workers don't know what it is like to work in an industry with balanced gender representation".57

This segregation into male-dominated and female-dominated industries has over time had a significant impact on the overall gender pay gap.

Societies make choices as to what they value, and for too long, the skills required and returned benefits of the work that is carried out in female-dominated industries, has been under-valued. This has often been as result of a discrimination as to what was traditionally seen as work that should be undertaken in the home – care and education – often derisively called “women’s work”. When these tasks became formal occupations in themselves the cultural biases against pay for such work did not shift.

As the United Voice union pointed out in its submission to the Senate Inquiry into Gender Segregation, “The primary reason for high levels of industrial and gender segregation in Australia is the persistent undervaluing of forms of work that were historically performed by women in the ‘domestic sphere’ on an unpaid basis”.58 For example, early childhood education and care (ECEC), or aged care.

Women in female dominated industries are more likely to work in part time or casual roles. Indeed, it is estimated that in these industries around 60 per cent of women work in part time or casual roles compared to 30 per cent of men.59 This is largely driven by the need to manage child-caring responsibilities. Further, when accessible and affordable childcare is not available, women are forced into jobs that provide greater flexibility (i.e. part time or casual roles).60 Insecure jobs with insecure hours, employment terms, entitlements and legal rights, do not have the same regulatory protection as full time work. This disparity contributes to the gender pay gap which compounds inequities in lifetime earnings and superannuation.61

Some women may prefer casual work as an alternative offering greater flexibility and better wages through casual loadings. For other women job security may be a priority. What we must address is the need for greater choice to allow women in insecure jobs to become permanent if they so choose. Research shows that about 10% of women working in part time roles would like to work more hours.62 Women who wish to return to permanent jobs after parental leave are often faced with limited pathways to better employment.63

Gender segregation has considerable impacts on gender inequality. Women in female dominated industries earn lower wages, superannuation, bonuses and other discretionary pay compared to other industries.64 On average a woman working in a female dominated industry receives about $40,000 less in total remuneration per year that were historically performed by women in the ‘domestic sphere’ on an unpaid basis”.58 For example, early childhood education and care (ECEC), or aged care.

Table 2: Indicative impacts of improved wage transparency

<table>
<thead>
<tr>
<th>Base case 2016</th>
<th>Short term impacts 2020</th>
<th>Medium to long term impacts 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>GPG: 28.7%</td>
<td>Improved transparency – more people talking about wages.</td>
<td>Improved benchmarking</td>
</tr>
<tr>
<td></td>
<td>Improved negotiating power – more women leveraging from known comparative position for promotion and remuneration increases.</td>
<td>Improved equality in recruitment, earning and promotion opportunity</td>
</tr>
<tr>
<td></td>
<td>Increased responsibility on organisations to resolve organisation GPGs.</td>
<td>Improved workforce participation and retention.</td>
</tr>
</tbody>
</table>

57 United Voice – Submission to Senate Finance and Public Administration References Committee – Gender segregation in the workplace and its impact on women’s economic equality, February 2017, p.3.
59 Ibid.
The disparity feeds prominently into Australia’s gender pay gap. Horizontal gender segregation is the second largest contributing factor, accounting for about 30 per cent of the gender pay gap in 2014.66

The flow-on effects of gender segregation are substantial. Women face lower economic security and risk living in poverty having accumulated lower levels of income over a lifetime.67 This would be felt more prominently in their later years as a result of low levels of accumulated superannuation.

The health and social assistance industry is expected to see a 16% growth in employment or 250,000 additional jobs by 2020.68 This is driven largely by the increasing demand for nurses in the aged care, disability and social care workforce. The National Disability Insurance Scheme (NDIS) for example needs 70,000 employees by 2020.69 If these roles continue to be lower paid with less security by way of annual leave, carers leave and superannuation, and the undervaluation of care roles in female-dominated industries continue, a substantial increase in the number of these roles will only perpetuate the GPG.

**Proposed policy solutions**

There is a need to substantially redress the societal imbalance that has seen female-dominated industries under-valued.

As the Shop, Distributive and Allied Employees’ Association (SDA) said in its submission to the Senate Inquiry into Gender Segregation,

>“Much has changed in female-dominated occupations and industries including the introduction of educational and training requirements which are not reflected in the wages set in Awards. The failure to recognise accredited training and skills development in wage setting in feminised industries results in a persistent gap in the wages in female-dominated industries and occupations compared to male-dominated occupations and industries where wages are set at higher rates.”70

Therefore, policy responses that reject traditional discrimination against these jobs and instead highlight the value of this work are needed. Characteristics of such quality jobs include enhancing economic security via employment permanency, equitable access to wages, salary, total remuneration, discretionary income and superannuation and equal opportunity to participate in the workforce at part or full time capacity flexibly without disadvantage.

It is beyond time to financially recognise that the skills and training needed to do such jobs, and the tasks undertaken therein, should be valued for their own importance rather than as some comparison to other industries.

In addition, the sectors which tend to be dominated by women are also often those that are either fully or heavily reliant on Government funding. Thus, a commitment to increase wages for these sectors will require not just changes to the workplace relations system but an explicit commitment on behalf of Australian Governments that action is needed.

By adopting the following changes, we as a society will be sending a new message that jobs in what have been traditionally under-valued sectors, like care work and education, are in fact economically, culturally and socially important to our nation’s future.

The proposed policies include:

- Addressing wage equity by lifting base pay in feminised industries to be commensurate with professional skills and experience through direct amendment of modern awards, and enterprise/collective and individual agreements.
- Improving job security by improving options to change employment contracts to permanent (part time and full time) for insecure jobs with minimal barriers and disadvantage.
- Enhancing workforce participation opportunities by improving options for flexible working.
- Commitment from Government to provide funding to enable the above proposed policies

**2.3.1. Lift base pay to be commensurate with professional skills and experience**

The systemic undervaluation of care work in female dominated industries can be addressed by enhancing the status, dignity and value attributed to these roles. Inspired by New Zealand’s historic pay equity settlement, we propose that a range of measures be adopted which would result in a blanket uplift of base pay in female

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dominated industries, plus an additional uplift based on professional skills and experience.

While these would include substantial changes to the Fair Work Act they will also require explicit Government support to be fully effective. As many highly feminised industries rely on direct Government funding or support for wages there will need to be Government budgetary support to ensure these changes have maximum economic effect. Such was the example of the Social and Community Services (SACS) case where the Gillard Government’s support was instrumental in achieving positive outcomes for social and community workers.

Increasing pay also has the added benefit of incentivising more men to enter female dominated industries, thereby promoting a more gender balanced workforce. Attracting men into female dominated industries will also help change societal norms that stipulate that men are unsuited to roles with a component of caring (e.g. nursing). This can help shift cultural norms in the longer term.

Implementing the proposed policy requires reviewing the impact of legislative changes made to the Fair Work Act 2009 to address unequal pay and provide alternative right to review pathways and processes.

The current legislation pertaining to equal remuneration reviews is complex and onerous, and may dissuade many employees from pursuing pay equity litigation under the Fair Work Act 2009. Division 2, section 302 of the Fair Work Act 2009 stipulates that an equal remuneration order will only be awarded by the FWC (FWC) if an application is made by an employee, an employee organization that is entitled to represent the industrial interests of an employee or the Sex Discrimination Commissioner. Employees, therefore, are largely responsible for grappling with the complexity of the provisions and bear the brunt of establishing that there is no equal remuneration for ‘work of equal or comparable value’.

A woman in a female dominated industry can apply for an equal remuneration order if they believe they are being paid less than a man in a male dominated industry for doing work that is of ‘comparable’ value. However, the FWC has discretion to decline an order which stipulates that equal remuneration awards are not considered if adequate alternative pathways for ensuring equal remuneration exist (Division 2, Section 721). Dealing with such broad and complex provisions can generally limit women from pursuing litigation for comparable work.

The lack of transparency on wages means they have no information on benchmarks, further limiting their ability to pursue litigation.

The fact there has been only one successful case under the equal remuneration provisions of the Fair Work Act 2009, (the SACS case of 2012) should alone provide compelling evidence that the current workplace relations system is not set up to successfully address the gender pay gap caused by horizontal segregation.

Indeed, in its assessment of the decision in the Social and Community Services (SACS) equal remuneration case The Fair Pay Equity Unit of the FWC said, “Accordingly, the objective of equal remuneration in the Fair Work Act is merely one of a number of factors to which the Commission must have regard in setting and adjusting minimum rates of pay. It could accept that work was undervalued in a particular industry or occupation, yet choose to do nothing about it”.

In response, and as a first step towards redressing the inherent problems with the current Fair Work Act we recommend that pay equity be introduced as a specific and explicit objective of the Act. A series of pay equity principles should be incorporated to give solidity to this new objective.

Both the Queensland and New South Wales Industrial Relations Acts contain specific objectives around equal pay which evidence suggests has resulted in better pay outcomes for female dominated industries. Any changes to the Fair Work Act federally should be modelled on the Queensland Pay Equity Principles. These principles better recognise the ways in which women’s work has been traditionally undervalued, and sets out how that can be recognised and addressed within industrial law. Also, there is no artificial requirement that a male comparator must be established.

Prior to the last election, Federal Labor committed to strengthening the FWC by creating a new presidential role to undertake pay equity reviews along with a pay equity panel and research unit dedicated to equal pay. The role of such a panel would be to investigate wages in female dominated industries. The Pay Equity Panel would have the ability to recommend adjustments to the minimum wage in the applicable award to deliver sector wide outcomes to working women. These actions should make it easier for gender pay cases in highly feminised industries to succeed.

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72 Equal Remuneration under the Fair Work Act 2009: A report for the Pay Equity Unit of the FWC”, p 57

The 2017 New Zealand enacted The Care and Support Worker (Pay Equity) Settlement Act to raise the base pay of aged care workers. The act enables workers to receive a pay raise of between 15 and 50 per cent, depending on their experience and qualifications.

The pay equity agreement was based off an inquiry into aged care industries in New Zealand, and systematic undervaluation of work based on their gender. The conditions for the workers prior to the settlement were described as modern day slavery. The settlement works to remove gender based wage discrimination and aims to improve the support and training workers receive in the aged care sector.

The improved base wage will also improve recruitment and retention of the aged care workforce, which will mean better continuity of care for New Zealand residents and is particularly relevant for New Zealand’s aging population. It will incentivise people to join the aged care workforce and will work towards meeting the estimated increased demand for aged care support workers.*

The settlement aims to lessen the poverty experienced by a mainly female workforce and set them on the path for a more secure future.

Source: Davison I, Trevett C, “Government announces historic pay deal for care workers”, April 2017
Ministry of Health, “Employer factsheet, Care and Support workers (pay equity) settlement agreement”, April 2017
Buchanan, K. “New Zealand: Government and Care Workers Reach Pay Equity Settlement”, April 2017

2.3.2. Shift employment contracts to permanent (part time and full time) for insecure jobs
We propose that the Government implement legislative changes that enable employee choice in shifting employment contracts to permanent (part time and full time) contracts for insecure jobs. This proposal builds on the momentum created via the FWC’s ruling that entitles casual workers who have worked 38 hours on average in a twelve month period to ask their employer for a full time job. Critical barriers to the right to request and subsequent considerations must be minimised to truly enable employee choice. Our proposed policy, therefore, is about creating better pathways for women to be able to choose career options that best suit their needs and without economic disadvantage.

Permanent contracts would improve the circumstances of women who do not have regular jobs. Permanent contracts provide greater job security through guaranteed hours of work and pay, paid annual leave and sick leave, and offers greater flexibility for women to manage work and caring responsibilities. They also provide more opportunities for skills development, career development and progression to leadership positions.

The proposed policy includes reviewing and amending the modern awards under s156 of the Fair Work Act 2009 by the FWC to ensure employees in insecure jobs receive the same pay and conditions as parttime and fulltime employees.

2.3.3. Normalise flexible working options
This policy is about driving good practice organisational policies that promote flexible working as it is an important strategy that promotes gender equality. Flexible work is mutually beneficial for a household. It gives men more opportunity to engage in unpaid care work, allowing them to spend more time with their children. In turn, this helps women participate more fully in the workforce.

For women, flexible work provides greater and more equitable access to all occupations and industries, including positions of leadership. Over time it provides greater incentive for women to participate in industries beyond those that are traditionally female dominated. In sum, investment in normalising flexible work can lead to a more gender balanced workforce across all industries in Australia.

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Increasing women’s participation in the workforce through flexible work arrangements also benefits organisational performance. Research indicates that a diverse workforce produces greater effort and motivation, leading to improved decision making in the workplace. For example, Catalyst research shows that Fortune 500 companies with the highest proportion of women on their boards performed significantly better compared to firms with the lowest proportions of women.76

The proposed policy includes,

- A positive duty on employers to enhance options for flexible working through accommodating the needs of women or who have family responsibilities, implemented by Government.

- Review and amend the Sex Discrimination Act 1984 and strengthen the right to flexible working arrangements under s65 of the Fair Work Act 2009 so that all workers have access to flexible working.

**Potential policy impacts**

Table 3 outlines the potential impact of addressing horizontal segregation in two industries: education and training and health care and social assistance. These two industries employ approximately 2.2 million people, 7% of the total male workforce and 21% of the total female workforce. The female full time to part time ratio in the healthcare and social assistance industry is 47:53 and in the education and training industry it is 52:48.77

Inspired by New Zealand’s pay equity settlement that increased pay based on qualification we have modelled,

- 5% in base pay for all workers across these two industries, and

- An additional immediate 35% uplift for workers whose qualification is Certificate IV or above.

Reducing horizontal segregation results in almost a three percentage point decrease in the GPG (see Table 3). Because this policy assumes an immediate uplift in wages, the impact on the GPG remains at 26.0% over time. Because the impact of this policy is focused on lower paid women who make up almost a quarter of Australia’s workforce (22.0%), this policy reform would be very significant for hundreds of thousands of Australian women.

Whilst achieving pay equity for women in higher paid industries like finance statistically decreases the GPG quicker, the amount of women impacted by policy reforms focused on structural changes to horizontal gender segregation is far larger and far more significant culturally and economically.

Our indicative impact is similar to a study undertaken for the UK Early Childhood Education and Care (ECEC) sector (traditionally female dominated) which found that raising ECEC wages reduced the GPG by three percentage points.

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77 Analysis based on ABS 2016 Census data.
The policy is also expected to:

- Impact the greatest number of women across female-dominated industries in the Australian workforce, lifting wages, improving job security and improving productivity.
- Boost market comparability of wages between female dominated and other industries to attract more employees into health and social care and education industries with high projected labour growth.
- Attract males into a workforce typically dominated by women, breaking down barriers and stereotypes to doing ‘women’s work’ and engaging in value generating jobs. This is especially important given the expected workforce growth in these industries.
- Give women better opportunity to participate in the workforce in greater capacity (e.g. fulltime work) if they so choose.

### 2.4. REDUCING THE IMPACT OF UNPAID WORK

Australia’s parental leave and ECEC policies have a way to go to catch global leaders like Iceland, Sweden, Norway and Denmark. Australia has one of the highest rates of female part time employment – 45% of employed women were part time, compared to 16% of men. For women with children under 5 years, 61% work at part time capacity, compared to 6% of men.

Women are more likely to experience career interruptions than men due to family. The bulk of economic disadvantage faced by women occurs when having a family. Women are more likely to have career breaks (more and of longer duration) than men. They miss out on wages and superannuation payments during this time and experience setbacks in career progression, impacts that accumulate over time. WGEA estimates that the wage penalty experienced by mothers returning to work after taking 12 months of parental leave to be 7%. More can be done to resolve disadvantage for households that choose to have families. Global leading practice effectively provides replacement wages and superannuation contributions for up to a year, with minimum requirements for males on a use it or lose it basis. Households are able to choose how to use their allocation, which is complemented by a ‘universal’ ECEC or early learning system from age 3 years. In Australia, mothers are entitled to 18 weeks of Government paid parental leave at minimum wage. Most mothers typically take up to 32 weeks of leave, meaning that 14 weeks are generally unpaid. Fathers are entitled to two weeks of paid parental leave at minimum wage and typically do not take up unpaid leave as there is no economic incentive to do so.

In Australia, more women with children come back in part time capacity than men and are generally the second income earners in a household. Women with children, therefore, typically face a much higher effective marginal tax rate (i.e. the combined effect of income tax and withdrawal of state welfare benefits on a person’s earnings) in relation to child care.

The Australian Government has a means tested (based on household income) child care subsidy. There is a cap on the childcare rebate the Government will pay. While this is extremely beneficial for low income households and provides incentives for women from low income households to return to work, it acts as a disincentive for women from middle to high income households from returning to work in greater capacity. This is because the high effective marginal tax rate makes childcare cost more than what a woman would receive upon returning to work full time. For example, if a second income earner in a high income household increases their working hours from 2 days to full time, the households benefit is only $4000 more per year, despite extra earnings of more than $27,000.

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78 WGEA, “Parenting, work and the gender pay gap”, Perspective paper.
82 Stewart M, “Mothers have little to show for extra days of work under new tax changes”, The Conversation, June 2016
Households (men and women alike) need economically viable choices, enabled through integrated and aligned policies aimed at achieving broader social and economic outcomes. Working families contribute to Australia’s economy in many positive ways, not limited to population growth and economic productivity. However, policies serving competing goals limit household choice over things like childcare and re-entering the workforce. Policies should reduce disadvantage created by choosing to have families, create more economically viable options for women to return to work in greater capacity and for households to benefit from this.

**Proposed policy prescriptions**

We propose three key policies to reduce the impact of unpaid work:

- Increase the paid parental leave contribution to include replacement wage with mandatory superannuation contributions while on parental leave to reduce disadvantage experienced from career breaks due to having families.

- Create a minimum duration to be taken by the secondary carer and implement mandatory reporting on uptake of secondary carer’s parental leave entitlements as part of organisation reporting measures (see earlier policy)

- Review ECEC policies against marginal tax rates on second earner to create better incentives for women to return to work after having a family.

**2.4.1. Increased Government contribution to paid parental leave scheme**

Paid parental leave provides financial security for women when they have a child. Women take up more paid parental leave than men who also have babies (18 weeks at minimum wage compared to 2 weeks at minimum wage for men) in that same year. As a result, they receive lower cumulative earnings in that year and experience lower pay from that point on, which impacts lifetime earnings and the gender pay gap.

To tackle this issue, we propose increasing the Government paid parental leave contribution from minimum wage to replacement wage.

Shifting towards replacement wage means a more gender balanced parental leave system. Men and women will receive normal pay for the duration of paid parental leave, meaning that, the impact on wages would be comparable for men and women who have a newborn in a given year. This also provides an economically compelling reason for men to take more parental leave.

Parental leave at replacement wage can also relieve financial pressures experienced by families during the first few months with a new child, which then increases women’s economic security. When we consider long term impacts, mandatory superannuation creates greater opportunity for women to lift their retirement savings and helps reduce gender inequality in superannuation.

**2.4.2. Create a minimum duration to be taken by the secondary carer and implement mandatory reporting on parental leave uptake**

Our proposed policy aims to ensure that fathers, or partners, are given the opportunity in a way that makes economic sense, to spend more time with their child.

We recommend increasing the duration of paid parental leave for the secondary carer from 2 weeks to a minimum of 4 weeks, at replacement wage. This increases the total number of shared parental leave from 20 weeks to a minimum of 22 weeks. The policy should be implemented by Government on a use it or lose it basis so that the number of weeks cannot be transferred from one parent to the other. Both parents are obliged to take parental leave to care for their child and if they don’t use the full period of paid leave, they lose it.

Shared parental leave establishes a stronger sense of shared responsibility between men and women. Over time, this can reduce inherent bias from employers towards women of incurring extra costs to companies due to maternity leave, as well as bias in hiring and promoting women.

It gives women greater opportunity to reduce the amount of time spent on unpaid carer work and return to work sooner if they so choose because they would receive additional carer support from their partners. Such change would provide women with greater financial security – for example, it is estimated that mother’s receive a salary increase of 6.7% for every month of additional parental leave taken by the father.83

Additionally, encouraging fathers to spend more time with their children has many flow on impacts to the family unit. This includes, a more cohesive family environment, reduced financial stress, increased bonds between parents and the child.84 We also propose mandating reporting on parental leave uptake by secondary carers. Employers have a key role to play in normalising uptake of leave by secondary carers. Mandatory reporting increases transparency on leave uptake and allows organisations to track and monitor usage and refine strategies to normalise parental leave for fathers.

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84 D’Inverno, A., Reidy, D. and Kearns, M, “Preventing intimate partner violence through paid parental leave policies”; 2018, Preventive Medicine, 114, pp.18-23.
2.4.3. Review Early Childhood Education and Care policies

We propose reviewing Australia’s ECEC policies to better align with international best practice.

This includes, changing the means tested childcare policy to a rebate that is accessible to all women and families regardless of household income whilst ensuring low socio-economic families and disadvantaged children have low cost access to high quality ECEC A rebate gives secondary earners greater choice and opportunity to return to work in full time capacity (or increase part time capacity). It helps provide greater economic security and independence for women and close gender pay gaps.

Removing barriers that limit women from returning to work can help us manage the implications imposed by an ageing population. We need more people in our workforce to foster greater economic growth and productivity in the future. Providing women with more economically viable choices to return to work at greater capacity over time (e.g. more full time or part time capacity) is an important avenue through which we can address future workforce challenges.

Compared to other OECD countries, Australian children are less likely to participate in formal childcare and preschool. On one hand this reflects the extent to which women participate in the labour force after having a child, and on the other, it is a barrier for women to return to paid work.

We can do more to promote early childhood education as an important mechanism through which we can improve ability of women to return to work. Federal Labor’s election policy to support early learning by investing in a program to guarantee access to subsidised early childhood and education in the two years before school.

Sweden’s universal ECEC model known as Educare is known as the gold standard in early childhood education. Educare is a nationwide network of subsidised preschools that provide childcare and education for the children of all working parents from the age of one. It is underpinned by the notion of affording equal and high quality child care to all parents regardless of income and enabling more women to transition into the workforce.

Early childhood education has broader impacts on participating children. Research indicates that children who are enrolled in preschool are the more likely to succeed in school. Further, preschool education is linked with lifetime benefits such as economic participation and health and family well-being outcomes.

Global best practice: Sweden’s shared parental leave policy

In Sweden today, parents are entitled to 480 days of paid parental leave when a child is born or adopted. For 390 of those days parents are entitled to 80 per cent of their normal pay. The remaining 90 days are paid at a flat rate (minimum wage).

Beyond the 480 paid days, parents in Sweden also have the legal right to reduce normal working hours by up to 25 per cent until their child turns eight.

In spring 2017, this policy was updated to give fathers 90 days of parental leave rather than the 60 days they had. These 90 days are unable to be shared between parents and are allocated to the father only. This initiative from the Swedish Government is an effort to increase the number of fathers who take parental leave which currently sits at 27 per cent and steadily improving.

Source: Sweden Sverige, “10 reasons why Sweden is a family friendly country”

Potential policy impacts

The following tables outlines the potential impact of addressing unpaid leave. To model the policy impact we have estimated:

a. The impact of addressing the wage penalty imposed by motherhood on the overall gender pay gap

b. The impact on the gender pay gap among parents by increasing shared parental weeks from 20 weeks to a minimum of 22 weeks at full time replacement wage.

To estimate the impact of removing the motherhood wage penalty, we applied a 7% wage uplift across all mothers in each industry. In our modelling we have incorporated this uplift every alternate year as a conservative approach to account for the loss in wages over time.

As can be seen in Table 4, an uplift in wages for mothers sees the gender pay gap reduce minimally from 28.7% to 28.2%. The small impact could be explained by the fact that the uplift only brings mothers wages to be on par with non-mothers (whose average pay is still lower than that of men).

We have also modelled indicative impacts of increasing shared parental leave from 20 weeks to 22 weeks at replacement wage. From our base case we increased the number of father’s paid parental leave from 2 to 4 weeks whilst simultaneously changing the minimum wage pay for parental leave to full time replacement wages.

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85 Ibid.
Increasing shared parental leave is aimed to provide mothers the opportunity to return to work sooner. Therefore in our modelling we have incorporated a decrease in the number of unpaid leave for mothers from 14 weeks to 8 weeks, meaning that, a mother will now take 18 weeks of paid leave and 8 weeks of unpaid leave (the total number of leave taken by a mother does not fall below 26 weeks, in line with the WHO recommendations on the length of time for breastfeeding\(^89\)).

We expect that a culture shift will occur and see men taking unpaid leave to spend time with their baby, in addition allowing the mother to return to work earlier. We have incorporated a 6.7\% increase in mother’s wages in every alternate year as a conservative approach to reflect this shift. This assumption is informed by a Swedish study that found that the father’s use of parental leave had a direct positive impact on their partner’s earnings by 6.7\%.\(^90\) For the sake of simplicity, organisational policies are not included in the model.

As presented in Table 5, this policy would decrease the GPG by one percentage point, to 27.8\%. The small impact is expected as we are increasing shared parental leave only by two additional weeks.

Though not quantified we also expect this policy to have the following flow on impacts:

- Provide greater incentive for women to participate in the labour force
- Give more women greater opportunity to return to work sooner in greater capacity (e.g. full time work)

### Table 4: Indicative impacts of reducing the impact of unpaid work

<table>
<thead>
<tr>
<th>Base case 2016</th>
<th>Short term impacts 2020</th>
<th>Medium to long term impacts 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improved wage equity</td>
<td>Shifting cultural norms including the role of men as bread winners</td>
</tr>
<tr>
<td></td>
<td>Increased uptake of parental leave and caring roles</td>
<td>Narrowed differences in salary, super and return to work rate between men and women</td>
</tr>
<tr>
<td>GPG: 28.7%</td>
<td>GPG: 28.2%</td>
<td>GPG: 28.2%</td>
</tr>
</tbody>
</table>

### Table 5: Indicative impacts of increasing shared parental leave duration, replacement wage

<table>
<thead>
<tr>
<th>Base case 2016</th>
<th>Short term impacts 2020</th>
<th>Medium to long term impacts 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increased shared parental leave</td>
<td>Shifting cultural norms including the role of men as bread winners</td>
</tr>
<tr>
<td></td>
<td>Increased uptake of parental leave and caring roles</td>
<td>Narrowed differences in salary, super and return to work rate between men and women</td>
</tr>
<tr>
<td>GPG: 28.7%</td>
<td>GPG: 27.8%</td>
<td>GPG: 27.8%</td>
</tr>
</tbody>
</table>

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2.5. SETTING A TARGET TO DRIVE CHANGE MORE RAPIDLY

There is universal agreement that taking 50 years to close the gender pay gap is too long. Indeed, if action is not taken to reduce that timeframe we are condemning an entire generation of young girls still in school to an entire working life of pay inequality. Drastic action is needed.

Inspired by Iceland’s aspiration to close the gender pay gap by 2022, we propose that the Australian Government establishes a process to set a target to close the gender pay gap within a significantly shortened timeframe than the current 50 years.

The Government should establish a working group headed by an independent chair and supported by experts to develop a robust target date for Australia to achieve pay equity.

The target setting approach could follow WGEA’s existing guidance around establishing: clarity, small steps, control, realistic and accountability. However, this needs to be done on a larger scale than exists at present so that it creates joint accountability and drive across the public and private sector.

The process should work alongside the Government’s target to reduce the gap in workforce participation by 25% by 2025.91

Targets work for a number of reasons. They are familiar and understood by businesses, they are able to be tailored to context and setting, and, can be dialled up or down as needed in response to changing markets and environments. Targets promote a cohesive approach across business and in the context of gender equality, are often set voluntarily, demonstrating commitment towards the goal.92

We don’t need to look too far beyond our borders to see how feasible and clear target setting can influence change. New Zealand’s Better Public Service Results Program used 10 goals to focus on achieving broad impact. Though not all targets were met, the simplicity of those targets enabled agencies to do fewer, more focussed things to achieve stronger and/or more rapid results.93

Closer to home, the Australian Labor Party’s gender representation quotas have clearly worked in driving changes in the composition of the ALP’s elected representatives. The success of this target can be seen in the fact that almost 50% of Labor’s representatives in Federal Parliament are women while the Liberal Party’s level of female representation remains abysmally low.

2.6. INCENTIVISE PROCUREMENT FRAMEWORKS

Introducing a red light/green light approach to Government procurement sends a strong signal to the private sector to put gender equality on the agenda in a measureable way or risk losing competitiveness in market. To ensure that companies awarded Government contracts meet the WGEA’s requirements we suggest creating two lists of organisations – compliant organisations that can participate in Government led procurement processes and non-compliant organisations that can’t.

There is precedent for using procurement policy to drive opportunity and change via the Indigenous Procurement Policy (IPP) that came into place July 2015. The IPP set rigorous requirements for targeted purchasing from Indigenous enterprises and introduced a mandatory set aside for new procurements, increasing mandatory minimum requirements in high value contracts.

Two years on, the IPP had made a positive impact in a variety of ways such as boosting the use of Indigenous suppliers, increasing the number of Indigenous businesses and Supply Nation businesses, and Government procurement with Indigenous businesses.

There are also a number of lessons learnt such as the need to report on number of contracts awarded as well as total percentage of spend to provide a true picture of outcomes.

Driving the right behaviours, i.e. rather than treating change as a perfunctory exercise, is also an area of ongoing focus to ensure that the IPP is achieving it’s true goal of fostering Indigenous economic development.94

Proposed policy changes apply to companies of >100 people and include:

- Directly incorporating WGEA’s Gender Equality Procurement Principles into whole of Government (Federal and State) approaches to procurement as a mandatory standard to assess compliance (in or out) against.
- Developing consistency and transparency in evaluation criteria to assess compliance and incorporating audit processes across a randomly selected sample of businesses, to assess compliance reporting processes and outcomes.
- Introducing a feasible period of implementation that aligns to GPG target timeframes with an option for companies to opt in prior to implementation date.


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2.7. PUT PRESSURE ON PUBLIC SECTOR INCOME STREAMS

Applying pressure to achieve change through the Government’s procurement processes should have a strong impact on the private sector’s achievement of pay equity goals. It is equally important that a similar punitive lever be applied to those organisations that make up the public sector.

Indeed, adopting a similar “stick” approach to receiving public funding will send a strong signal to the public sector to put gender equality on the agenda in a measurable way or risk losing their income streams. As the largest collective employer across Australia, this approach has the potential to make the greatest impact on the GPG.

Such policies should not be restricted to what we commonly understand as the public sector per se. Organisations such as charities, welfare bodies, educational institutions (including universities) and the health sector (especially hospitals) receive significant Government funding. There is no reason why such organisations should not also face a penalty for failing to comply with gender pay requirements. Proposed policy changes that should apply to organisations that employ >100 people, and receive a significant portion of their funding through the Government include:

- Extending the Workplace Gender Equality Act 2012 to include mandatory reporting and compliance for all public agencies and publicly funded organisations.
- Creating guidelines for employment through the Fair Work Act and the Fair Work Ombudsman, supported by direct Memorandum of Understandings with public agencies to drive change across the public sector.
- Developing consistency and transparency in evaluation criteria to assess compliance and incorporating audit processes across a randomly selected sample of organisations to assess compliance reporting processes and outcomes.
- Introducing a feasible period of implementation that aligns to GPG target timeframes with an option for companies to opt in prior to implementation date.
- Allocating appropriate funds through Government to implement proposed changes.
SECTION THREE
3. CONCLUSION

The projected 50 years to close the gender pay gap and achieve gender equality is unacceptable. Failing to pay women equally not only hurts women and their families but also the Australian economy.

Australia’s public policies are not aligned to achieve broader equality goals and outcomes. At the same time, societal norms still dictate how men and women participate in the economy and this is most starkly reflected in the industries in which women work. Further, women are primarily seen as carer takers while men are often perceived as the breadwinner, meaning that women take up the bulk of unpaid domestic work.

This policy brief sets out four key policies that can be implemented to accelerate narrowing of the GPG:

- **Increasing pay transparency** – to create an equal playing field between men and women, putting increased responsibility on employers to address gender inequities and removing barriers for employees to challenge inequity.

- **Creating good quality, economically secure jobs in female dominated industries** – help to meet future workforce needs in the industries projected to grow the most (education, health and social care) to pay women more equitably and attract more men.

- **Reducing the impact of disadvantage on motherhood (and parenthood)** – by giving households economically viable choices through integrated and aligned policies aimed at achieving broader outcomes.

- **Setting ambitious targets and timeframes to accelerate change** – by using a red light green light approach to government procurement so that the private sector has a stronger incentive to address gender equality in a measurable way.

With a number of policies turned on that impact different policy areas, we can accelerate closing the gap by double over the next seven years compared to current progress.

The collective impact of the first three policies would reduce the gender pay gap (GPG) by 12.8 percentage points from 28.7% to 15.9% by 2025, compared to the current rate of 3.7% over the past 5 years as projected by current estimates.

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95 WGEA, “Five years of workplace gender equality agency data”, 2018.