Pay equity in the Australian public sector

Christine Short
Curtin University and Office of the Commissioner for Public Employment

ABSTRACT

This paper argues that much of the persistent pay inequity evident in Australia can be found in the public sector. Governments continue to resist paying their employees equitably. This was evident from when equal pay for work of equal value was introduced, and again in the 1980s when the public service unions fought the Federal Government to make sure female-dominated professions were in the same job evaluation and classification system as male-dominated professions. However, while job evaluation was aimed at ensuring equity, it was not the panacea anticipated and other problems to do with monopsonistic forces enable governments to continue to pay female-dominated occupations less than their male counterparts. As wage case studies from a (shortly to be submitted) thesis (Short unpublished) show, enterprise bargaining only worsened these problems when agency level bargaining occurred and agencies were very male- or female-dominated.

Introduction

Even though pay equity continues to be a problem in Australia with an average gap of 16% between the earnings of men and women working full-time ordinary hours and 23% in WA (Short 2003), at first glance it does not appear to be an issue in the public sectors around Australia. Female public sector employees are paid on the same salary scales as male public sector employees; most public sectors have job evaluation systems that compare similar jobs to ensure equity; and women are increasingly the majority amongst public sector employees. However this paper will argue that it is in the public sector that much of the inequity in pay between men and women remains.

The historical origins of public sector pay inequity are described. More recent information from wage case studies of the Australian Public Service (APS), the Western Australian Public Sector (WAPS) for general administrative and clerical staff and Victorian and WA government teachers is used to identify further problems. These case studies, part of a nearly completed thesis (early results were reported in Short 2004), involved in-depth interviews with 39 Commissioners, union officials and employers and their representatives as well as the collection of wage data for the period 1990 to 2003. The public sector case studies were contrasted with studies on private sector child care, retail and clerical work (being female dominated areas) and studies on metal trades, building, transport and mining work (male dominated areas). Problems identified in the public sector wage case studies involve different outcomes for male and female-dominated agencies, lower pay increases for lower-level female dominated occupations in the sectors and monopsony.

Historical background

From 1912 to 1972 women were paid less (45-75% of the male rate) if they were doing women’s work but generally equal pay when they competed with men for employment in the same jobs. The rationale consistently used for this different treatment in the Australian Industrial Relations Commission (AIRC) and its predecessors was that women only needed to support themselves while men needed to support a wife and children. This approach was mirrored in all other jurisdictions around Australia including that of Western Australia (Short unpublished). In 1972 women were granted equal pay for work of equal value in the AIRC and this principle was adopted by the States too.
However, Short (1986) analysed each of the AIRC decisions conducted under the 1972 principle of equal pay for work of equal value and found that none of these decisions involved direct comparisons with male-dominated occupations. In other words the value of female-dominated jobs was not assessed. While the majority of women working in Australia at that time achieved increases in pay this did not necessarily result in full equal pay for work of equal value. Deals resulting in consent agreements were made with employers by unions. Unions appeared to have settled for what was possible rather than equal work value.

Short (1986:325, 334) shows that local government (WA) and Commonwealth public service typists applying for equal pay for work of equal value were treated in this fashion. When the pre-existing separate male and female pay structures were eliminated under the 1972 decision typists were simply added on to the bottom of the (male) clerical range without consideration of their skills in typing which were in addition to the skills needed for a lower level clerical job. It appears that no work value assessment was made and the unions did not object.

Unions were only able to achieve what the AIRC and employers were prepared to accept and in the early to mid 1970s there appeared to be little sympathy for female workers near the bottom of pay structures. That women’s jobs were paid less than those of men, even without any type of comparison of skills or value, was probably still seen as only natural.

MOVING INTO MALE CLASSIFICATIONS/JOB EVALUATION STRUCTURES: During the 1980s the Australian Public Service was the focus of union activity on pay equity. Unions and women’s groups recognised that in order to remove remaining pay inequities there needed to be a comparison of the skills, qualifications and other work value factors of female-dominated jobs with male-dominated jobs. The problem was no longer where women worked alongside men in the same jobs but in the predominantly female areas such as clerical work, therapy and nursing.

At the end of 1985 the Professional Officers Association (POA) (which became part of the Community and Public Sector Union (CPSU)) was the first organisation to be successful in enabling the direct comparison of female dominated occupations and male occupations. The Australian Industrial Relations Commission allowed physiotherapists, occupational therapists and speech pathologists to be included in the Australian Public Service Science Group.

This [employment category] contains fifty-two different science-qualified professions, which share a common salary and classification structure, including common criteria for the evaluation and classification of work within the various occupations… Before the case, the three therapist professions were the only science-qualified professions excluded from the Science Group, despite the fact that their professional qualifications were recognised as meeting the criteria for inclusion. (Rafferty 1989:527)

The Professional Officers Association continued its pay equity campaign within the Commonwealth Public Service. A series of cases in the Australian Industrial Relations Commission (see Rafferty 1989; 1991; 1994) allowed the comparison of the work of male dominated professions such as engineers, counsellors and psychologists with social workers and dental therapists. The Commonwealth Government, as their employer, resisted each case, even when it was a Labor Government that professed to support pay equity. By 1992 the main Australian Public Service Agreement included all these female-dominated professions allowing direct comparison with their male counterparts in the wage structure.

PUBLIC SECTOR JOB EVALUATION SCHEMES: Yet even ensuring female professionals were in the same job evaluation system as their male counterparts did not necessarily remove all inequities. Job evaluation schemes introduced into Australian public sectors or services in the late 1980s “evolved to erase explicitly separate pay scales by gender and yet, at the same time, reproduced gendered pay practices in new ways.” (Figart 2000)

Job evaluation allowed the comparison of jobs on the same criteria such as responsibility, skills used and numbers of staff supervised. However, as Burton, Hag and Raven (1987) and Short (1992) have shown the standard job evaluation systems used in the public sectors around Australia were based on the Hay job evaluation system and this reflects the values of American society in the 1940s and 1950s where it originated rather than contemporary values.
The UK Equal Opportunity Commission highlights some of the problems inherent in the system.

Job evaluation is a system of comparing different jobs to provide a basis for a grading and pay structure. The aim is to evaluate the job, not the job holder, but it is recognised that to some extent any assessment of a job's total demands relative to another will be subjective. Moreover, job evaluation is in large part a social mechanism which establishes agreed differentials within organisations (EOC cited in Short 1992:5).

The biases built in to job evaluation systems start with the job descriptions used as the basis for evaluation. Job descriptions tend not to record or to downgrade ‘female’ or ‘soft’ skills such as co-ordination, co-operation and caring (Guy and Newman 2004; England 1992: Chapter 3; Cox & Leonard 1989).

Furthermore the use of multiple job evaluation systems or pay/classification structures within a public service or sector prevent clear and equitable pay comparisons (Risher 1984; Hastings 1990); the greater the proliferation of salary structures and systems the lower the equality of pay within and between these. Most Australian public sectors also use different evaluation systems and/or pay structures for predominantly male or female work. For example in a public sector there are commonly different job evaluation systems or pay classification structures for managers, technicians, and police (mainly male) and for nurses, teachers and child care givers (mainly female). As Armstrong and Cornish (1997) note it is really important for women working in female ghettos, such as those in the occupations just mentioned, to be able to compare the wages with those outside these ghettos. Within a public sector that can only be achieved by using job evaluation schemes that encompass the broadest range of jobs possible. These problems continue to persist and worsen under deregulation.

**DECENTRALISATION AND MINIMUM RATE ADJUSTMENT:** By 1992 evidence was already emerging that the POA pay equity gains were being eroded under the new decentralised industrial relations system. Rafferty (1994:459) noted that female public sector professionals at that time were having their wage structures compressed into the lowest levels of the now integrated professional officer classification system.

The Australian industrial relations system began to be decentralised in 1987 when the Commission moved into granting extra increases to those making workplace-level agreements for award restructuring and structural efficiency, and then for enterprise bargaining. Previously most award wage increases had been decided centrally in the AIRC in national wage cases with increases flowing on into the different states during state wage cases.

During the 1988 National Wage Case, in response to the move to award restructuring, the ACTU pressed for a national ‘blueprint’ involving restructuring all awards to provide ‘consistent, coherent award structures, based on training and skills acquired, and which bear clear and appropriate work value relationships one to another’ (ACAC Print H8200:6). As Plowman (1995:282) observed the ACTU was seeking

…a threefold comparative wage exercise. It sought to relate minimum rates awards to paid rates awards by way of the provision of supplementary payments. It sought to relate awards in one industry to those in others. It sought to relate wage rates within awards.

This blueprint would form the restructured award safety net to enterprise bargaining, a process later referred to as minimum rate adjustment (MRA) which was adopted in the 1989 National Wage Case.

Minimum rate adjustment allowed for women’s jobs such as clerical and retail jobs to be directly compared to male-dominated metal trades jobs for the first time. The historical bias against female-dominated jobs could have been corrected within the Australian industrial relations system. What is more the new restructured awards could provide skills-based career structures 'which had been notably absent from women's jobs in the past.' (Hunter 2000:12)
However the unions and work areas that did pursue award restructuring and minimum rate adjustment were not comprehensive (Short unpublished). This was particularly so amongst female work areas and the public sector. Minimum rate adjustment was not available to those in paid rates awards which were mainly in the public sector. Paid rate awards list the actual amount to be paid to workers on the job, minimum awards by contrast list a minimum amount to be paid which the employer can add to as they see fit.

According to the ACTU (Short unpublished) paid rates awards were all assumed to be quite high relative to private sector blue collar (minimum award) wages and therefore thought to be about right in comparison to other awards. Thus it was felt that public sector paid rate jobs did not need a safety net or comparison with the metal trades despite the continued pay equity work by the POA/CPSU.

The wage case study comparing the APS with the WAPS (Short unpublished) involves minimum rate adjustment during the time period studied, i.e. 1990 to 2003. Both governments maintained firmly that that the main public sector awards were paid rate awards and therefore not subject to minimum rate adjustment. Yet both public sectors had higher paying enterprise agreements simultaneously with what they called paid rate awards. The APS changed its main public sector award from a paid rate to a minimum rate basis in 1998. In this process the APS put down wage rates from the levels existing in the previous paid rate award to make the rates minimum. At this late stage in the MRA process it is possible that the metal trades’ award used as a comparator for the public sector award adjustment no longer reflected minimum rates paid in the metal industry as it had not been minimum rate adjusted for eight years and EBA rates were at least 50% over the award (Short unpublished).

Thus the WA government general clerical and Victorian teachers’ awards have been prevented from testing under the minimum rates adjustment principle even though these awards may not be equitable in their relativities to the metal trades’ award, and in the case of the APS the test may have been flawed. The other female-dominated areas studied in Short (unpublished), retail, child care and clerical work, were able to access minimum rate adjustment although with less favourable outcomes than the men (Short 2002a:40). As a result the public sector employees/occupations involved may still be suffering pay inequity relative to private sector male-dominated occupations.

**Pay equity in the 1990s**

The public sector wage case studies (and indeed the other government-related case study into child care) in Short (unpublished) demonstrate four further pay equity problems. First, with more radical decentralisation of public sector industrial relations, where agencies are able to bargain for their own wage rates and conditions individually rather than be involved in sector-wide agreements, female-dominated agencies may end up paying less than male-dominated agencies. Second, where wage increases are always granted in percentage terms rather than in a flat rate payment women who dominate the lower end of the public sector will gradually lose pay in relative terms. Third, the public sector is found not to be responsive to market conditions such as supply and demand so it is probable that public sector wages are subject to monopsony influences resulting in lower pay than found in the private sector. Fourth, not unconnected to the last point, the administrative and clerical public sector jobs in particular, and other female-dominated public sector-related jobs studied in Short (unpublished) gained much lower pay increases since 1990 than the male-dominated jobs studied.

Short (unpublished) compared enterprise bargaining agreements between 1992 and 2003 for the WA and Australian public sectors. Two classifications were compared from each: AO2 and AO6 in the APS, and Level 2 and Level 6 in the WA public sector because women are more likely to dominate the lower levels. However as Short (unpublished) explains there is substantial doubt over whether these apparently equivalent levels are in fact equivalent between the two sectors. Thus it is more valuable to look at changes within each sector rather than between them. The different departments were chosen because Health is dominated by women whereas Main Roads is dominated by men. The federal Department of Transport and Regional Services was used because, like Main Roads, it deals with infrastructure and contracting out of male dominated services. In WA in June 2003 77% of Health Department staff members were female; in the federal department 72% were female. In WA 21% of Main Roads staff were female and in the federal Department of Transport and Regional Services, 46%.
Short (unpublished) found there were differences in pay between female and male dominated departments as well as in the increases given to different male and female-dominated classification levels. WA was particularly striking, perhaps because their agency-level enterprise bargaining agreements started earlier (1996 compared to 1998/9) and came out of a much more deregulated background with a government urging the adoption of workplace agreements amongst all staff, not just senior staff as in the APS. The APS had sector-wide instead of agency level agreements until 1998. WA returned to a sector-wide agreement with the election of a Labor Government in 2001.

The major difference was between the WA female-dominated Health Department and the WA male-dominated Main Roads Department highlighting the wage/gender connection. By 1998 Main Roads Level 2 employees were being paid $89 or 15.8% more a week than the WA Health Department Level 2 employees. Level 6 employees in Main Roads were receiving $186 or 19.7% more per week than those in Health. By contrast in the APS, in 1998 when enterprise bargaining at agency level began, Transport and Ageing AO2s were being paid $10 more than AO2s in Health. A similar gap existed for APS AO6 employees. Thus the male-dominated agency had higher wages but not by as much as in WA.

By the end of the study period, after four or five years of agency EBAs the federal Department of Health and Ageing had actually overtaken the Department of Transport and Regional Services with both ASO2 and ASO6 employees being paid more in that agency. By the end of 2003 Health and Ageing was paying ASO2 employees $76 more per week compared to Transport and Ageing; ASO6 employees in Health were paid $52 more per week compared to Transport. In 2001 the situation in WA changed with the Labor Government in WA taking the WA public sector back to a sector-wide agreement and reversing the effects of the agency-level agreements by 2004 – just outside the study period. By 2004 Main Roads and Health wages were the same for each classification.

There appear to be a number of reasons for Main Roads gaining such an advantage during agency-level enterprise bargaining in the period 1995 to 2001, namely the type of funding the agency received, timing, conditions traded off, productivity, the type of work being performed (which also relates to gender predominance), and militancy.

Main Roads was one of a group of agencies that drew well ahead of other WA agencies during agency-level bargaining. Most of these agencies tended to be male dominated and received funding from sources other than from central revenue. For example Main Roads collected funding in the form of licence payments and federal infrastructure grants. According to a manager this made ‘it a lot easier to actually put in place some innovative conditions and pay arrangements’ (Short unpublished). The WA Health Department’s budget problems left them with little to pay for productivity increases under enterprise bargaining. As the Health Department manager said ‘the ability to actually sit down and account and acquit and say yes we’ve had a 5% increase in productivity and we’ll share this 2.5% each, is just hypothetical nonsense’ (Short unpublished). Health did not have the money to share.

Main Roads was also a year ahead of Health with its enterprise bargains starting in February 1995 and they traded off a lot of conditions such as public holidays and hours that may have been more important to Health’s female workforce. Main Roads were also much better positioned to identify productivity savings due to the nature of the work it undertook. They employed mostly technical and professional/engineering staff to administer contracts for infrastructure maintenance and development and only a small group of clerical staff. However Main Roads had a philosophy of dealing with wages as one group – a team - and the clerical administrative staff thus received the same increases as other staff.

Use of a total factor productivity model was another feature for Main Roads but not Health. A manager explained that:

…part of our pay is through productivity and we were one of the first agencies to actually measure productivity. We had a total factor productivity model in place very early in the enterprise bargaining process that looked at what are we producing, what impact are we making on the economy, on our contracts, on delivery of our programmes - and that produced a figure that we were able to translate into a pay outcome for employees. (Short unpublished)
In the long run the model became unworkable. As the same manager pointed out:

Treasury was starting to question the validity for pay increases… How much did an employee contribute to it? You know how much is in their control? Because the model took a lot of things in, like environmental factors. Sometimes we aren’t able to influence that at all because there’s certain environment regulations in place.

According to the public sector union the type of employees at Main Roads also influenced militancy in the agency and assisted in enterprise negotiations.

Now in Main Roads you had an agency which had more of a culture of that [being organised] because you had a blue collar workforce, you had unions which were doing that out in the private sector already and they brought that sort of culture into their membership in Main Roads - which isn’t our membership - but our members gained strength from that. (Short unpublished)

Health staff did not have the same blue collar influence.

Health Department … you call a meeting of members in the Health Department, you’re lucky to get five people there. And you do the walk throughs, you try and get the delegates, you try and get a structure there and they didn’t have that identity with a union culture in the same way. (Short unpublished)

Also of interest in the administrative/clerical area is the opportunity to look at how percentage wage increases affect a wage structure. When percentage, rather than flat increases are given the people at the lowest end of the pay structure end up with less of an overall increase over a number of years. Using WA Main Roads’ figures (see Table 1) this process can be seen. Between 1990 and 2003 Level 2 employees had a wage increase of 31.1%, over the same period Level 6 employees had a wage increase of 37.1%. Unlike Health, Main Roads gave the same percentage increases to its staff during the study time period. Health gave its lower level staff a flat increase in the first EBA and this results in Level 2s in Health gaining a higher proportionate increase in their pay (38.9%) that Health Level 6s (33.9%). Arguing for flat increases is very difficult for unions as this quote shows.

Our members at a high level have an expectation of percentage wage increase and they don’t understand - well, some don’t understand the equity argument. …But if we get a percentage wage increase - which benefits higher income earners - lower income earners don’t leave the union. But if you go for a flat rate which benefits low-income earners, high-income earners will resign. So there’s a really … and it’s interesting; we’ve got into a culture of percentage wage increases. (Short unpublished)

Like all the female-dominated areas studied in Short (unpublished) the public sector clerical wage rates lost ground against (AIRC standard) metal trades wage rates during the period under study. The worst example was WA Health Department Level 6s who went from 214% of the WA trades’ rate in 1990 to 145% by 2002. However Level 2 WA Health Department employees also did badly falling from 126.4% of the trades’ rate in 1990 to 88.9% in 2003.

Table 1 below shows that public sector administrative and clerical occupations gained the least wage increase over the period of all the occupations studied. Public sector employees in WA and federally gained between a 31% and a 39% increase in their wages between 1990 and 2003. It appears that governments have been very successful in restraining wage increases during the period 1990 to 2003. This same government restraint may also have affected the wages of teachers and child care givers who are also influenced by government funding and policies. However their outcomes were better. WA child carers gained an increase of 51% and teachers 51 to 52%. This was as a result of a minimum rate adjustment case which tied them to WA teachers after 1993. Teachers managed to get better increases in enterprise bargaining from the government than did other public sector employees, perhaps due to public opinion.

One might argue, somewhat controversially, that public opinion affects government judgments about pay increases more than do markets. An employer representative talked about the public sector market being different. ‘[B]y definition, you know, there often isn’t a market, or, a market is different’ (Short unpublished). Normal forces of demand and supply are unlikely to operate (at least in the short term) to affect wages and this is evident when considering the persistent and serious shortages in nursing being experienced by governments.
According to interviewees the public sector operates by looking at budgets (and worrying about raising taxes), not shortages of labour. In an example of this a public sector employer representative interviewed claimed that pay equity is difficult to achieve in the public sector because of the large numbers employed in occupational groups where women predominate e.g. nurses and teachers.

You’ve also got to take into account that…[in] the public system where there are large numbers of females employed it’s unrealistic to consider that they are going to throw money at trying to fix the pay disparity between males and females…just one percent on some of these public areas is worth millions of dollars, given the size of the workforce.

(Short unpublished)

In a similar fashion a Commissioner pointed out that while other industry sectors were able to work out the value of an occupation through market forces and what is perceived to be fair the public sector found politics interfered and had to ask the Commission to solve the problem.

…the only cases that come here are the ones that people can’t solve. You know, most people can work out what value is. Either by the determination of the market forces, or their own sense of, equity, having regard for the range of people that they employ. It’s only when the public sector, mainly, is unable for political reasons, to come to that decision that we inherited it. (Interview with Commissioner B)

From an economic theory point of view this is probable evidence of monopsonistic power in the public sector. To put it in lay terms, monopsonies exist where the potential employee has very little or no alternative in employer. The employer is a monopoly buyer of labour. The occupation the employee wants to enter is employed or (in the case of child care) funded mainly by one organisation (i.e. government) in the geographical area. The same would apply to teaching with even non-government teachers’ wages being affected by the wages paid in the government sector. In the case of women this is exacerbated by restrictions on their ability to move to gain employment because of their family responsibilities and the jobs of their partners.
This means the employer has more power over the worker than normal and can set wages lower than the market rate would have been (e.g. Norris 1993:157-159). However it should be noted that in the longer term governments probably do finally respond to market pressures – this is beginning now to show for nurses with many now employed at much higher agency (casual) rates (Email comment from Health Department manager).

Summary

In summary this paper has shown how the Australian and WA governments, both Labor and Coalition, have not generally promoted equal pay in their own workforce. This is evident both historically and more recently. Job evaluation systems used in public sectors in Australia have yet to be corrected for pay equity probably due to cost constraints. A review of the treatment of clerical and administrative staff and teachers’ wages in WA and Australia shows that in the more radical decentralisation period experienced in WA between 1995/6 and 2001 female public servants in female dominated agencies did much less well than male public servants. However it is also clear that a government prepared to fix this kind of problem can do so and this is seen twice, once with the APS in 1994/5 and in WA in 2001-3. From the wage case studies (Short unpublished) it is evident that the public sector workforce operates in a different market situation to the private sector. In the public sector budgets and politics appear to be more important than the forces of demand and supply, at least in the short run. It would seem that the politics of selling a large public sector budget outweighed and may still outweigh any considerations of equity. Solutions suggested in Short (unpublished) involve changing legislation to allow for pay equity investigations and orders; and conducting pay equity audits at the occupational level involving also correcting inequitable job evaluation schemes. The public sector needs to ensure it is paying its employees equitably or risk compromising its ability to retain and recruit staff in the face of competition from the private sector. It may also see so few people entering female-dominated occupations such as teaching and nursing that quality of service can no longer be maintained.

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