The gender pay gap: Reviewed, researched, will it be resolved?

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ABSTRACT

There is a substantial body of research on the nature of the gender pay gap, the factors contributing to it and its deleterious impact economically and socially. Numerous governments have commissioned reviews to address it. So should we be expecting to witness changes being implemented that will improve gender pay equity? This paper argues that in attempting to understand the persistence of the GPG, more attention needs to be focused on those groups who benefit from its existence. Capital, public sector employers and consumers are benefiting economically from the point that some women’s labour is cheaper than it might otherwise be. Socially, a substantial GPG (as exists currently) entrenches traditional gendered family roles which would still be appreciated by a number in the community.

Introduction

The Gender Pay Gap (GPG) reflects and perpetuates serious inequality between men and women in our society and, from a business perspective, underutilisation of women’s economic capacity. While in Australia the equal pay cases helped to narrow the GPG in the 1970s, there has been minimal improvement in the relative position of women’s earnings in Australia over the past two decades. In fact, in Western Australia (WA), the GPG has enlarged from 17.5% in 1991 to 22.6% in the February 2004 quarter. WA has the largest gap between men’s and women’s wages of any Australian state. This situation has persisted despite improvements in the levels of education and workplace experience amongst women in WA and a substantial increase in WA’s minimum wage.

A substantial body of research provides comprehensive analysis of the GPG, its impact and its causes from economic, sociological, instrumental and organisational perspectives. In addition, over the past five years numerous governments have commissioned reviews into gender pay inequity and/or means to address it; for example, in the UK, NZ, and within Australia, in NSW, Queensland and Victoria. In WA both the former Coalition Government and most recently the Labor Government have reviewed pay equity for women with both reviews providing numerous recommendations to advance gender pay equity (Todd and Eveline 2004; Ministerial Pay Equity Working Party 2000). Should we now expect, therefore, a substantial narrowing of the GPG during this next decade? In this paper, we argue that this could be achieved but that the broader socio-economic context makes it unlikely unless substantial political pressure is brought to bear on the parties. In attempting to understand the persistence of the GPG, it is necessary to recognise those groups who benefit from its existence and who are most likely to channel the commitment of governments to improve gender pay equity into review processes that are limited in their outcomes to a plethora of reports.

The paper commences by outlining the nature of the GPG and evaluating whether or not it is a problem. A summary of the factors contributing to the GPG is then presented followed by an overview of the recommendations made to reduce the GPG in WA. The paper concludes with an analysis of prospects for progress in gender pay equity. This paper draws from a review of the GPG in WA completed by the authors. Much of what is considered, however, is applicable nationally and internationally.
Recent trends in the gender pay gap in Western Australia

In the February 2004 quarter the gender wage gap in the full-time WA labour market was 22.61%. In dollar terms this meant that women's average earnings were $232.30 less than those of men. This was calculated on ordinary time earnings and as can be seen in Table 1, the gap increased to 25.81% when based on full time adult total earnings. The corresponding gaps at the national level were 15.20% and 18.79% respectively. WA women's average ordinary time earnings were 93.52% of their national counterparts, whereas the relativity between WA and Australian men was 102.47%. When the average total earnings of full-time and part-time employees are taken together, the gender pay gap in Western Australia increases to 42.28%. This is not surprising given that the majority of part-time employees are women but again this gap is considerably larger than that at the national level, of 34.31%.

The gender pay gap: Is it a problem?

Gender pay inequity has economic, social and political consequences for individuals, business and governments. For individuals and communities, improved gender pay equity is fundamental to gender equality, since it increases women's labour market attachment, financial independence and life choices. With pensions linked to life-time earnings pay equity is crucial to retirement security as well as to life chances in the labour market (Reed 2002:25). Many younger Australians aspire to a more equal sharing of work and family roles, rejecting the traditional male breadwinner/female home-carer model of an earlier era (Charlesworth 1999; Reed et al 2003). Yet that goal is undermined when women's incomes are lower than that of their spouses, since research shows it is the lower paid woman who inevitably reduces her commitment to the paid workforce when the couple are struggling to balance work and family demands (Charlesworth et al 2002; Gregory 2002; Mumford and Pereira-Nicolau 2003). The unequal pressure of those demands also feeds into an Australian birth-rate well below replacement level, with women delaying motherhood until their early thirties, or even forgoing it altogether (Pocock 2003).

For business purposes, more equitable pay for women would counter currently inefficient labour market matching processes (Watts 2003). An assumption often made is that low wage jobs will stimulate employment. However, as Rubery et al (2002) show, low pay creates disincentives for women to participate in the labour market (see also Gregory 2002; Mumford and Pereira-Nicolau 2003). With Australian business highlighting skills shortage as a Number One concern, better utilisation of women in the workforce can help secure that all-important skills base. Since gender pay equity has been shown to encourage better utilisation of women's participation in the paid labour force, it can also address business concerns about the ageing population and its implications for labour market supply (Austen and Giles 2003). The International Confederation

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>Gender Wage Ratio</th>
<th>Gender Wage Gap</th>
<th>$-gender wage difference</th>
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<tr>
<td>Western Australia</td>
<td></td>
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<td>Full time adult ordinary time earnings</td>
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<td>Total earnings</td>
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<td>25.81</td>
<td>-389.00</td>
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<td>Full time adult ordinary time earnings</td>
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<td>84.80</td>
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<td>81.21</td>
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<td>587.30</td>
<td>57.72</td>
<td>18.79</td>
<td>-308.20</td>
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Source: ABS 6302
of Free Trade Unions (2003) cites further advantages to employers who promote pay equity. These include: simple, transparent and easily understood pay systems that send a positive message that all staff are valued (averts disputes); and pay reviews, which ensure equitable rewards and thus help improve morale, organisational effectiveness and reduced turnover costs.

For governments, the persistent gender pay gap poses similar problems, plus some additional ones. Since gender pay equity impacts on women’s capacity to be economically independent it provides a means for governments to reduce women’s claims upon state welfare both during their working lives and in retirement (Preston and Austen 2001; Austen et al 2002). Gender pay equity has implications therefore for government policy on the ageing population, for the development of viable and skilled labour markets and for governmental responsibility for the economic and social wellbeing of current and future communities and workforces.

Given the above, it would seem reasonable to conclude that the GPG is a problem that all parties would want to address. On the other hand, one cannot ignore a number of aspects of the broader socio-economic context which suggest that the GPG may in fact be beneficial to certain groups.

Firstly, the GPG implies that some women’s labour is cheaper than it might otherwise be. This is a clear benefit to capital, to public sector employers, and to consumers who would undoubtedly find the increased wages being passed on in increased prices for goods and services. Secondly, a substantial GPG (as exists currently) entrenches traditional gendered family roles. Women are discouraged from continuing in their careers when they have children, this then ensures that women continue to adopt the primary caring role at home, providing unpaid support for the male breadwinners at work. This lack of challenge to the ‘1950s social status quo’ would still be appreciated by a number within the community. Indeed, it also ensures that employers do not have to do more than offer token gestures in the guise of ‘family friendly’ workplaces, for they will continue to have their ‘ideal workers’, i.e., male employees with a support network at home.

In summary, whilst the persistence of the GPG has serious economic and social consequences, there are a substantial number of beneficiaries from its perpetuation.

Factors causing the gender pay gap

The usual starting point in explaining the GPG is human capital theory. Human capital theory views women’s choice of employment and consequent remuneration as the outcome of their rational human capital investment decisions. This approach has helped to identify the contributors to gender pay inequity – for example, an improvement in the level of female labour market experience helped to reduce the gender pay gap in Australia in the 1980s by about one-quarter (Preston and Crockett 1999:565). Many analysts, however, have recognised the limits of a human capital perspective on gender pay inequality (see O’Donnell 1984; Whitehouse 2003; Rubery et al 2002). As Preston and Crockett (1999: Table 1, p.566) showed in their succinct summary of an array of econometric studies into the GPG in Australia, most of the Australian studies have found that less than 1/4 of the gender wage gap is due to differences in the characteristics of men and women and that therefore 3/4 remains unexplained. It is essential therefore to look beyond standard economic models to understand the causes of the GPG.

A number of studies have pointed to the sex-segregated labour market as a major explanator of the GPG (Pocock and Alexander 1999; Heiler, Arsovska and Hall 1999; Wooden 1999). Pocock and Alexander (1999:88) concluded that ‘between 58 and 81% of the gender pay gap is associated with being in feminised work (whether occupation, industry, workplace or job-cell).’ Findings on the sex-segregated labour market point to the critical importance of the value attached to jobs and skills associated with female labour. Many argue that the paid work of women has been undervalued and that attempts to describe it have received little recognition (Hunter 1988; Acker 1989; Pocock 1988). At an organisational level, job evaluation techniques have been utilised as seemingly objective tools to analyse jobs. Job evaluation systems, however, have been criticised for their inept interpretation of some aspects of traditional female duties and skills (Probert et al 2002; Acker 1989).
In Australia, the implementation of comparable worth has proven extremely difficult. While the 1972 ‘equal pay for work of equal value’ case led to a significant decline in the gender pay gap during the 1970s, its implementation was only partial (see Short 1986 for further detail). The 1998 NSW Pay Equity Inquiry is regarded as having charted a new course for understanding and addressing the undervaluation of women’s work and the subsequent Equal Remuneration Principles developed in NSW, Tasmania and Queensland are viewed as providing much better possibilities for the implementation of equal remuneration in Australia.

The wage determination system has also impacted on the GPG in Australia. As is well known, the 1907 Harvester decision established the concept of wages being determined on a gendered needs basis with a woman to be paid 54% of a man’s wage. While the articulated rules have changed, it is argued that the legacy of the gendered needs analysis of the male breadwinner and the women’s work supplementing the family income continues to influence wage determination today.

The introduction of enterprise bargaining and the consequent fragmented bargaining system in Australia has exacerbated gender pay inequity. The distribution of female employment between wage determination streams and the inequalities within the streams is contributing to the overall gender pay gap. Recent studies using ABS data show that women are much more over-represented in the lowly-paid award-only stream (Preston 2003; Whitehouse and Frino 2003).

Table 2 summarises the hourly rate of pay by bargaining stream and by gender for WA and Australia. The trends revealed are similar to those found by Whitehouse and Frino (2003): lowest hourly rates occur in the award-only stream, men’s hourly rates are greater than women’s in all streams albeit that they are almost identical in the award-only stream; that is, the lowest paid category. The one stream that stands out in the WA analysis is the registered individual agreements in which there is a 26.64% gap compared with 12.66% at the national level. In 2002, 9.4% of the WA workforce had their wages and conditions covered by registered individual agreements, 7.7% under a WA workplace agreement (WPA) and 1.7% under a federal Australian Workplace Agreement (AWA).

<table>
<thead>
<tr>
<th>Western Australia</th>
<th>Males</th>
<th>Females</th>
<th>% gap</th>
<th>Amount</th>
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<tbody>
<tr>
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<td>0.65</td>
<td>0.10</td>
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<td>18.10</td>
<td>12.56</td>
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<table>
<thead>
<tr>
<th>Australia</th>
<th>Males</th>
<th>Females</th>
<th>% gap</th>
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<td>Registered collective agreements</td>
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<td>19.10</td>
<td>10.33</td>
<td>2.20</td>
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</table>

Source: ABS 6306.0

Note: These statistics are based on non-managerial employees’ average hourly rates of pay and therefore are likely to understate the gap particularly in terms of individual agreements.
Analysis of registered collective agreements provides further insight into the causes of the gender earnings inequality within this particular bargaining stream. Simply put, it has been found that male dominated agreements have generally delivered higher increases than female dominated agreements (Whitehouse and Frino 2003:586; Heiler et al 1999:112). Nor do the findings from the studies of collective agreements by Heiler et al (1999) and Whitehouse and Frino (2003) support the hypothesis that women may be trading off pay for better working conditions.

Another factor contributing to the GPG has been the lack of support to enable employees to combine work and family responsibilities, with women bearing the consequences of those pressures. Having children has a positive impact on men’s wages but a negative impact on women's (Preston 1997; Pocock and Alexander 1999). Assessments of the provision of family-friendly arrangements in Australian workplaces conclude that such initiatives are confined to the minority (Pocock 2003). For example, up to 65% of managers and 54% of professional women have access to paid maternity leave while only 18% of clerical, sales and service workers and 0.4% of casual workers are entitled to it (Watts and Mitchell 2004:179). And there is a gap between the provision of family-friendly benefits and the utilisation of these measures (Campbell and Charlesworth 2004; Probert et al 2000). Much depends on the organisation's culture in ensuring that the implementation of family-friendly benefits does not result in women being compromised in their careers.

Analysis of the impact of motherhood upon women’s participation in paid work shows that it usually results in a series of labour market transitions (Pocock 2003; Campbell and Charlesworth 2004). There are many barriers to women making temporary withdrawals or changing to part-time employment and retaining their previous earnings and career status. For many women, such transitions lock them into peripheral employment or unemployment.

The way forward

Given the array of factors that have been identified as contributing to the gender pay gap, it is not surprising that so many analysts recommend a multi-dimensional approach to address the issue. Underpinning this multi-dimensional approach there needs to be a wholistic approach to policy development. Gender mainstreaming of pay and employment policy provides this wholistic approach and shifts the focus from deficits or deficiencies in female characteristics, behaviour and preferences to the investigation and rooting out of gender pay discrimination as embedded in institutional arrangements, social norms, market systems and pay policies (Rubery et al 2002:1).

Gender analysis is the principal tool associated with mainstreaming. It offers a systematic procedure for analysing policy proposals and existing policies to determine their differential impact on women and men.

In relation to strategies to address the GPG, there has been a debate about the relative merit of voluntary strategies compared with regulatory remedies. Unions and employer groups have been deeply divided on the question of whether mandatory or voluntary measures are more effective, with employer groups much more likely to advocate voluntary remedies and unions arguing for a more comprehensive mix of voluntary and mandatory measures. (see Grimshaw et al 2001; McDermott 1999). Submissions and interviews for the WA review reflected a similar pattern. Submissions from most employer groups denied the need for regulation on the grounds that market forces ensure the best outcomes for the majority and that additional layers of complex legislation burden small business in unacceptable ways. In favouring the voluntary approach, employers argued that it permits arrangements suited to particular industries, and leaves decision-making with those best able to satisfy both business and employee preferences. On the other hand, submissions from women’s groups and unions expressed considerable doubts about relying on voluntary strategies. In addition, international research supports the concern that a reliance on voluntary strategies does not produce satisfactory results (Reed 2001).
A wholistic approach requires a combination of regulatory and voluntary strategies. This will ensure that the regulatory provisions support workplace-based voluntary strategies rather than potentially contradicting them. Having recognised the need for a combination, the importance of voluntary strategies should not be understated. In the field of IR, statutory processes have their limitation, and it is in the workplace where the GPG will eventually be resolved. The resolution of issues impacting on the GPG is dependent upon the commitment of parties in the workplace.

There are clearly a vast array of possible strategies that could be adopted to improve gender pay equity and thereby impact on the GPG as has been evidenced by exemplary organisations. The equal pay audits recommended by the United Kingdom Kingsmill Report (2001) provide a particularly appropriate example of a voluntary strategy focused around pay. The equal pay audits require employers to examine whether they have gender inequalities in their pay system, and if so, to establish the causes and devise a plan to address them.

Turning to regulatory strategies to address the GPG, the previous sub-section identifies aspects of the existing IR legislation that need to be addressed. Firstly, it is necessary to ensure that the legislation enables parties to pursue work value cases based on historical undervaluation, as has been done in NSW, Tasmania and Queensland with the introduction of Equal Remuneration Principles. Secondly, the legislation needs to include requirements to take account of equal remuneration for men and women in all aspects of the wage determination process; for example, when amending awards or prior to registering industrial agreements. Thirdly, the legislation prescribing the minimum conditions of employment needs to include the following:

- the effective implementation of a decent minimum wage;
- a range of work/family leave provisions;
- the right for employees to request conversion to part-time employment within their existing positions;
- an extension of entitlements to casual employees.

Finally, governments can lead the way in the drive to reduce the GPG by focusing on their own employees in the public sector. Governments are such large employers and women account for a disproportionate share of public sector employment, hence it is imperative to address gender pay inequities within the public sector.

**Prospects for the achievement of progress in women’s pay**

At this point, it is necessary to consider the prospect of such changes being implemented within our existing IR systems in Australia. Any such consideration immediately reveals barriers in terms of ideology, conflicting economic interests and lack of understanding of the problems.

As with earlier Inquiries, the WA review found a widespread lack of awareness and understanding of the GPG. Understanding often does not extend beyond equal pay; there is the presumption that now that men and women are paid the same rate for the same job there is no longer a problem and that all jobs are valued as they should be. An extensive education program would be required to develop capacity amongst managers and decision makers to enable implementation of change. Educative programs would also need to raise community awareness so as to challenge existing expectations, not least of all amongst women.

Much of the change in practice necessary to address the GPG will need to emanate from employers. Australian employers over the past two decades have generally eschewed arguments for change based on equity, it is the ‘business case’ that has to be convincing. While the promise of a more equitable system resulting in more-committed employees does not appear to seduce the majority of employers in Australia to change their behaviour, the growing shortages of skilled and professional employees might be expected to be more convincing. It is interesting to note that employers and governments have focused much more on older workers than on women workers, positioning them as a group that could be better utilised within the workforce and thereby increase labour market participation. The need for employers to be responsive to older workers’ interests in work/life balance and be more flexible in terms of employment arrangements is commonly advocated. This may well increase the likelihood of quality part-time employment emerging which would also facilitate the retention of women workers with caring responsibilities. On the other hand, when we consider how employers have responded to
persistent labour market shortages of groups such as nurses and chefs, it does not give much cause for optimism that employers may be persuaded to address those issues such as working hours, workloads and wages which could result in better retention.

Labour market supply issues provide opportunities for skilled and professional women but there is little indication of labour shortages amongst the unskilled. The less skilled women will be dependent upon regulatory change to improve their position, for example, changes in relation to minimum conditions. The ‘business case’ that employers would perceive in relation to these women employees would be to avoid changes that would increase their costs. Given that the dominant employer organisations in Australia continue to espouse free market ideology, they can be expected to oppose changes to work value cases judged by the Commission and similarly to oppose regulatory intervention that might stipulate improved work/family leave provisions, access to part-time employment and increased entitlements for casuals. In sum, reliance on the ‘business case’ to convince employers to implement strategies to reduce the GPG is a flawed supposition for while there are important economic benefits to be gained from improving gender equity in the workplace, individual employers are likely to be more responsive to their immediate cost position.

Given that most employers, based on economic interest, are unlikely to embrace strategies to reduce the GPG, this suggests that governments will be required to play a leading role in bringing about change. The economic benefits may be more apparent at a government level, than at the level of the individual employer; in particular, benefits in relation to long term labour supply and reduced dependence by women and their families upon state welfare. In addition, governments continue to profess commitment to improving the position of women as well as espousing the need for better work/family practices within the workplace. On the other hand, governments in Australia have also embraced the free market ideology with its accompanying decentralised approach to regulating the workplace. Governments are also major employers of women and strategies such as those advocated to narrow the GPG will potentially increase their labour costs too. Given that employer associations will lobby intensively against proposed further regulation of the employment relationship, groups representing women employees will need to persuade the government that such regulatory changes would be worthwhile politically.

This then raises the question of the role of the remaining IR party, the union movement. Is the union movement likely to exert sufficient power at the level of either the state or the workplace to bring about the changes necessary to improve the GPG? While the union peak bodies have displayed support for actions to improve gender equity within the workplace, there is less indication of it being on the immediate agenda at the individual union level. With regard to gender-based work value cases, the unions have a critical role to play yet most will struggle to allocate the resources necessary to advance such cases. Will individual unions be prepared to place gender pay equity as a priority and, for example, to include women's workgroups in their high wage agreements?

Finally, in relation to the parties who traditionally influence IR outcomes, one has to consider the politics of gender. To what extent does capital, the union movement and the state embrace the existing gendered breadwinning/caring roles? The work/family debates would suggest that the vision is the perpetuation of the existing gendered roles with men as the primary breadwinners and secondary carers and women as the primary carers and secondary breadwinners, rather than one in which women and men share equally the breadwinning and caring roles.

The above analysis confirms Pocock’s analysis (2004, 1999) that women will need to exert far greater power over the IR and political decision making processes in order to achieve substantial progress in gender pay equity. Some professional and skilled women may be able to exert greater power individually during the next decade due to labour market shortages although the limits to this have been evidenced in relation to groups such as nurses. The majority of women will be dependent upon collective power to achieve change. Given the current low level of union density and the gendered nature of unions and their activities (Pocock 1997) women will need to activate this collective power not only through unions but also through a broader women’s movement that can be more inclusive of all women participants in the labour market. Such a movement would need to persuade governments that their political support is contingent upon the adoption of strategies that will narrow the GPG.
Conclusion

Previous research on the GPG details various factors within IR as contributing to gender pay inequity: human capital acquisition; the sex-segregated labour market and the value attached to jobs and skills associated with female labour; the nature and implementation of the wage determination system; the lack of accommodation of caring responsibilities within the paid workplace; and the lack of quality part-time employment opportunities. The GPG is impacting upon women’s labour market attachment, the optimal utilisation of women’s skills and experience within the labour market, as well as impacting upon their financial independence and life choices. Thus there is general agreement within the literature that gender pay inequity has economic, social and political consequences for individuals, businesses and governments.

In attempting to understand the persistence of the GPG, more attention needs to be focused on those groups who benefit from its existence. Capital, public sector employers and consumers are benefiting economically from the point that some women’s labour is cheaper than it might otherwise be. Socially, the GPG perpetuates traditional gendered care/breadwinner roles. During the past decade numerous governments have commissioned reviews into gender pay inequity and the means to address it. At this point, the focus needs to shift to the implementation of the reforms necessary to narrow the GPG. Without this change in focus away from ‘what is causing the GPG’ to ‘why is it not being addressed’, dissatisfaction and concern will continue to be channeled into government reviews that dissipate the momentum of those that express opposition to the status quo.

References


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