Rodney Stinson's Submission to the Standing Committee on Employment and Workplace Relations' Inquiry into "Pay equity and increasing female participation in the workforce"

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The submission was initially prepared as a set of speaking notes for Rodney Stinson's attendance as a witness at the Committee's Public Hearing in Sydney on 1 April, 2009.

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1.1 Rodney Stinson is a self-employed labour market researcher with more than 30 years' experience in analysing, researching and writing about the labour market, earnings and employment developments. His special expertise is occupational labour markets. His training and early experience in the named research areas were in the Federal Department of Employment. Since the mid 1990s, he has been accepted by the Courts as a labour market expert, and his earnings and labour market information are regularly cited by others in their reports used in litigated matters or in workers' compensation and other jurisdictions. He submitted reports to, and gave evidence at, the NSW Pay Equity Inquiry in 1998, and wrote briefing papers for a party in the Reasonable Hours Test Case in 2001.

1.2 He is the researcher-author of the *Archangel ®Job Markets Australia* database (CD and online at www.jobmarkets .com.au), now in its 9th issue, and the books *What Jobs Pay 2008-2009* (9th edition) and *Job Prospects Australia 2005-2006* (5th edition).

Summary of key points:

a) consideration of gender pay equity has, to date, focused heavily on aggregate statistics;

b) it is undeniable that aggregate earnings for females are lower than for males;

c) very little study in Australia has been directed at identifying and quantifying why this is the case in terms of the compositional differences in labour force participation and employment of females and males;

d) instead, assertions are often made or inferences drawn that females' lower aggregate earnings are, to an un-stated degree, due directly and/or indirectly to systemic [and, for many years, unlawful] discrimination, which inevitably must be occurring at disaggregated levels (that is, in specific industries, specific occupational fields, with big employers, or this or that type of small business etc);

e) the *OECD Employment Outlook 2008* cites a number of academic studies [cf. "International evidence", paragraph 5, DEEWR submission 58], but there is, on my reading, no clear summation of how much of the gender pay gap is, or may be, attributed to discrimination per se and what can be explained by labour market segmentation (such as among and within occupations and employing industries) and worker characteristics (such as education and labour market experience);

f) in other words, the cited OECD report has not sufficiently identified and quantified the contributing causes for the gender pay gap, thus it cannot be said to present "international evidence" of the compositional components for that gap [contrary to the strained analysis in paragraphs 4 and 5 of DEEWR's submission 58];

g) The aggregate analysis in DEEWR's submission 58 is certainly useful, particularly with its Workplace Agreements Database material, but the Australian Bureau of Statistics' submission 132 is, in my opinion, the more measured introduction to the gender pay gap in Australia. Both submissions deal with aggregate statistics. The best available statistical research and analysis needs to be brought to bear on comprehensive disaggregated, cross-tabulated statistics, for without that the contested areas of gender pay equity will continue to be plagued by bias, incompetence and intellectual dishonesty, to the cost of the nation and its citizens.

Submission 113 from the Equal Opportunity for Women in the Workplace Agency

2.1 Under the heading "EOWA Research", the Agency presents in paragraphs 54 to 60 its "[r]esearch relevant to the inquiry". Paragraphs 54 to 58 deal with the *EOWA Census of Women in Leadership* and the *Top Earner Report*. The former is the Agency's census of women board directors and executive managers in ASX200 companies (from 2003), and the latter relates to the remuneration received by the five highest-paid executives in 180 of those companies (jointly researched with Macquarie University).

2.2 The only relevant finding from the Agency's latest census that is cited is in paragraph 55, amounting to less than three lines. This pertains to the percentage of ASX200 executive managers and ASX board members who are females.

2.3 It appears [cf. the final sentence in paragraph 56] the *Top Earner Report* project selected the gender of the highest-paid executives as sole variable of interest when considering remuneration level and categories of senior positions, and reported accordingly – see paragraphs 57 and 58 for selected findings.

2.4 Had the project looked also at top-earners' qualifications, for example, I expect engineering, technical and accounting degrees would predominate. Female numbers are growing reasonably only in the last of these. The career flows and selection of senior executives are of long-standing, and are often prefaced on the named degrees, yet none of this appears to have been considered. The gender-only dichotomy is tendentious.

2.5 The four dot points under paragraph 59 are either incorrect or misleading. (a) The gender differential according to *Average Weekly Earnings* August, 2008 is not "84 per cent", but 83% rounded from 83.3% (trend and seasonally adjusted) or 83.1% (original) – cf. catalogue no. 6302.0, tables 1 to 3, pages 4-6. (b) It is claimed women must work "58 days more to earn the equivalent annual salary of men". This impost implies 365 working days a year, and such a notion is not to be found anywhere in the cited catalogue. (c) *GradStats* refers to the compositional effects on new graduate salaries by gender. This explanatory context was ignored, and further detail from Graduate Careers Australia's *Graduate Salaries 2007* was not even mentioned – for example, 25.6% of all male graduates are in the six highest earning disciplines, as against 6.5% of all female graduates [table T20, pages 38-39]. (d) The single sentence summary of an AIM survey mentioned in AIM's submission 51 does not constitute research by the Agency.

2.6 The Agency's submission recommends, inter alia, (A) that the Federal Government increase "focus on gender pay equity issues and that it do so through the [Agency]"; and (B) the Agency receive more funds, so as "to fully capitalise on the information it collects on women's workplace equal opportunity [and which is] recorded and stored in its database"; and (C) a campaign be funded to assist employers in industries to participate in "voluntary gender pay equity audits preceded by support of "a PhD thesis which could report findings with a review [view?] to expanding the program. Given the inadequacies noted above, it would be inadvisable to accept any of these recommendations to the Agency's benefit.

Submission 58 – the Department of Education, Employment and Workplace Relations

3.1 I will restrict my comments to the Definitions and Gender Pay Gaps sections.

3.2 I am not sure how complete the definitions are on page 3 of submission 58. The quoted ILO definition of "equal remuneration" refers to the "wage or salary . . . and any additional emoluments . . . whether in cash or kind" [cf. paragraph 2]. This is the definition carried over to the Workplace Relations Act 1996, the Department states.

3.3 The Australian Bureau of Statistics' advice is that, "Notionally, the earnings concept used in Australia is consistent with the international concept. However, in operationalising the concept in surveys of employers, measures of earnings have generally excluded wages and salaries in kind, largely due to practical considerations" [source: *Changes to ABS Measures of Employee Remuneration, Australia, 2006*, catalogue no. 6313.0, page 14].

3.4 The omission of payments in kind could potentially have significant impacts on certain industries and occupational groups (and, in turn, on the aggregated totals) in the Bureau's survey of *Employee Earnings and Hours*, on which the Department has based a good deal of its statistical analysis in submission 58, including tables 2.2 to 2.5 and the accompanying text. For example, the retail trade and accommodation, cafes and restaurants industry sectors are known to have a high incidence of payments in kind, and, as a consequence, so do occupations located mainly in those sectors (for instance, Sales Workers).

3.5 For its "International evidence" [cf. paragraphs 4-5], the Department's relies on the *OECD Employment Outlook 2008*. This should not normally be untoward, but unfortunately the relevant section of the OECD report has an inconclusive synthesis, in my view, of what the quite disparate research studies have found or suggest in relation to the make-up and causation of the pay equity gap in OECD countries. As presented, the international evidence for identification and quantification of the contributing causes for the gender pay gap is inadequate for policy and program purposes.

3.6 The "Australian evidence" [paragraphs 7-21] refers to three of the Bureau's statistical series based on surveys and to the Workplace Agreements Database. Of the surveys, it gives most attention to the 2006 issue of *Employee Earnings and Hours*, a bi-annual survey of employers. The analysis is at a highly aggregated level, being confined to industry sector, occupational major group and States/Territories as a whole. The further the analysis is extended below those levels, the more frequently do unreliable statistics arise and thus the less utility the survey has for documenting reliable gender earnings, working hours data, employment arrangements and so on. Relying on a survey – even one well-designed, albeit with some skewing to large employers – necessarily constricts identification and quantification of the compositional effects in a more detailed way.

3.7 Not for the first time, the Department has ignored the comprehensive, cross-tabulated data that can be obtained from the *2006 Population Census* and earlier ones. It is an axiom of occupational research that the Census data must be mined fully. The Bureau has the Census as the first-listed data source in the Attachment to its Submission 132.

Submission 112 – the Office for Women, Department of Families, Housing, Community Services and Indigenous Affairs

4.1 This submission looks at some aggregate earning statistics, but the most detailed disaggregation is for gender employment by industry sectors on page 11. Although an undertaking is given to refrain "from promoting a particular policy viewpoint" that is precisely what the Office often does when setting out to explain "the factors that contribute to gender pay inequity" [cf. page 1].

4.2 Its treatment of the gender pay gap and the reasons advanced for it are unsatisfactory, in my opinion. It states the "generally used measure for the gender pay gap is the ratio between women's and men's average weekly ordinary time earnings among full-time employees", and it then cites figures [on page 2] that indicate a ratio of .81 and .85 from the *Average Weekly Earnings* series but incorrectly footnotes the figures to the February, 2008 issue, which has data only for 2006 to 2008, not from 1984.

4.3 However, the Australian Bureau of Statistics' *Australian Social Trends 2008* uses another series to indicate the female/male ratio, and that is mean weekly ordinary time cash earnings of full-time adult non-managerial employees from the *Employee Earnings and Hours* series. This yields ratios of .89 in 1998, .90 in 2000, .89 in 2002, .90 in 2004 and .88 in 2006 [see catalogue no. 4102.0, Income and Prices table, page 144]. The Bureau's ratios, I suggest, are to be preferred.

4.4 The submission later cites *Australian Social Trends 2003* when discussing the incidence of unpaid overtime in 2000. It repeats the Bureau's comments about the highest incidence occurring in the education sector, noting that females are "highly represented' in the sector. The occupational group of relevance here is School Teachers, for whom school vacations would act as an offset. Apart from not attempting to put the statistics into some sort of employment context, the submission also failed to report the latest published statistics for November, 2006 on the topic of unpaid overtime from the originating series, now called *Working Time Arrangements*, catalogue no. 6342.0. Its statistics on this and other topics of interest to pay equity broadly conceived include, for example:

a) for full-time and part-time workers in their main job the incidence of unpaid overtime is very close, being 18% when both are rounded (males upwards and females down), and 732,200 males worked unpaid overtime, as against 694,500 females – catalogue no. 6342.0, table 1, page 9.

b) 18.1% of males usually worked shift work in their main job (viz. 15.7% of females), and 8.1% of males worked 9 hours or more in the most recent shift (viz 3.6% of females) – previous source.

c) 30.1% of males who were single job-holders worked both weekdays and weekends (viz 24.8% of females); 25.4% of males usually worked on Saturday or Sunday (viz 18.5% of females); and 31.0% of males usually worked between 7pm and 7am (viz 25.2% of females) – table 8, page 2.

Submission 112 – the Office for Women (continued)

4.5 The final three paragraphs of the "Sex discrimination and sexual harassment" section [pages 14-15] are highly questionable, and some assertions show gender bias, beyond just stating a policy viewpoint.

a) Note is taken of "the small but growing literature in Australia (and overseas) that use research techniques to try to identify the sources of wage gaps between men and women" – the objective of using research to find out the cause/s for wage gaps is seen to be a new development, which is worrying in a long-established public agency charged with advising its Minister.

b) "These studies have shown that a purely analytic focus on the average pay gap is no longer appropriate as the variations in the gap across wages distribution and across sector of employment are so large" – I assume by "purely analytic focus" the Office means the application of a theory or theories for the pay gap; "variations in the gap" were always evident if one looked below the most highly aggregated earnings and related statistics, which I take to imply the Office had not done.

c) "A particular statistical technique (regression decomposition) has proved useful in examining variations in the gender pay gap which cannot be completely explained by straightforward analysis of the data" – unless disaggregated statistics are incorporated in the study, no statistical technique will discover the specific components that bring about the pay gap at an aggregate level. I cannot help but think that "straightforward analysis of the data" means that they are understood according to one or more theories or that the analysis confirms what is already known (namely, gender-based discrimination).

d) "The finding of the Office for Women review is that in Australia, as in other countries, about 50 per cent of the gender pay gap remains unexplained, or due to discrimination" – I would have expected the Office to highlight the contents of their review, as this finding goes to the heart of the present Inquiry. As written, the finding could be taken to mean discrimination may explain as much as "about 50 per cent of the gender pay gap", and that the Office has, conversely, identified the other 50 per cent as due to other specific causes. But these quantifications are missing from its preceding discussion of the factors contributing to gender pay inequity.

e) " . . . the effect of discrimination on the pay gap appears to be stronger in Australia than in other countries and is moderated by the segmentation of the labour force by industry and occupation" – where is the statistical evidence for these claims?

f) "The concern is the significant role that discrimination seems to be playing in contributing to the gender pay gap" – this is a re-working of the preceding two claims. Again, where is the statistical evidence?

g) Footnote 59 may refer just to the last few claims, or it might, as I imagine it does, hold for (a) to (f). It lists four academic papers and the Office's own "statistical overview" report. Which of them provide the statistical evidence to support the claims in (d) to (f) about discrimination and knowledge of the relative weights of contributing factors to the pay gap?

Submission 132 – the Australian Bureau of Statistics

5.1 The Bureau's submission has succinct analysis of aggregate statistics from three of its series dealing with employee earnings, one originating in the household survey (*Employee Earnings, Benefits and Trade Union Membership*) and two from business surveys (*Average Weekly Earnings* and *Employee Earnings and Hours*) – business surveys are often called employer surveys. Aggregate statistics from these series were, of course, quoted in the submissions by DEEWR, the Office of Women and the Equal Opportunity for Women in the Workplace Agency. The Bureau's submission also cited comparative female/male earnings ratios from OECD countries.

5.2 The submission then provides succinct analysis of selected statistics on employment and participation from its own data sources (chiefly the *Labour Force* survey and supplementary surveys) and from *OECD.Stats*, the OECD's online Key Economics Indicators Database.

5.3 In the submission's Attachment, the Bureau has three headline entries for the *Labour Force* survey (of households) and 19 entries for its supplementary surveys. These counts do not include the 13 CURFs available for either the *Labour Force* survey or a supplementary survey. CURF stands for "Confidentialised Unit Record File". This provides, to the qualified researcher, access to a wealth of disaggregated data on topics of key interest to the Inquiry.

5.4 The Attachment lists as the first data source the *Census of Population and Housing*, 2006 being the most recent. Very detailed, cross-tabulated tables can be obtained showing for instance, for almost 1,000 occupations the gender of employed persons, by age, geographic location, employing industry (to the 4-digit level), working hours, education, marital status, and dependants. And that is not the complete list of variables. If status in employment is nominated as a variable this will allow separate treatment of employees.

5.5 Another variable is gross individual income for employed persons in the Census reference week, which covers earned income and income from pensions and allowances. The Bureau's last *Census Data Quality Paper* for income looked at the 2001 data, and its assessment was favourable. As incorporated in the methodology for my *What Jobs Pay* book and the *Job Markets* database, the average full-time earnings by occupation and age-group from the *2006 Population Census* allow calculation of estimates that are a reasonable guide to average earnings at a detailed level. At times there is understatement, usually in occupations where high incomes are known to be common.

5.6 Unless disaggregated statistics from the Bureau's series are utilized, the "measurement, understanding and analysis of pay equity" [cf. the Bureau's introductory comments, paragraph 3] will remain very basis. Likewise, the monitoring of "employment and employment changes that may impact upon pay equity issues" will be at a surface level.

5.7 In my opinion, the Bureau should be commissioned to prepare a number of comprehensive papers, analysing and reporting on its most detailed statistics on subjects nominated by the Committee. I think these could be delivered expeditiously, and they would ensure the best of statistical underpinning for policy and program purposes.