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House of Representatives Standing Committee on
Employment and Workplace Relations

Inquiry into pay equity and associated issues related to increasing female participation in the workforce

Submitting

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About WiSER

The Women in Social and Economic Research (WiSER) unit is based at Curtin University in WA. We are, essentially, a small group of researchers who share a passion for ensuring that women's needs and circumstances are represented in debates on economic and social issues. We contribute a gendered perspective on a wide-range of issues relevant to the labour market, such as retirement incomes, minimum wages, effective tax rates and ageing workforces.

Siobhan Austen is a director of WiSER. However, she is appearing before the Committee as a private individual. In her appearance she plans to contribute her perspective on the issues being considered by the House of Representative's Inquiry into Pay Equity. This perspective is informed by the outcomes of several of her research projects on income inequality, participation rates and wage inequality.

Income Inequality

The Committee's attention is first drawn to a piece of work on women's incomes that Gerry Redmond (UNSW) and Siobhan Austen published in the ABS publication *2008 Social Trends*. The focus of this piece was changes in women's relative economic position, as measured by their share of total gross income, over the last almost ¼ century. This publication also examined separately the changes in women's income over the last decade, that is, from 1995/96 to 2005/06.

The last 25 years have featured substantial changes in women's circumstances. Importantly, it has been a quarter-century of improvements in women's educational qualifications with women now comprising the majority of our university classes and also the majority of graduates. Fertility rates have fallen; there is an increased availability of formal child care; women's levels of training and experience at work have increased; and, especially in the last decade, there has been strong employment growth.

However, despite all these work-promoting changes, women's share of all the income received by men and women aged 15-64 has changed only slightly. In 1982 it was 32%; by 2005-06 it had increased to 37%. However, importantly, nearly all of the increase in women's share of total income occurred in the 13 years after 1982. That is, in the decade to 2005-06, women's share of total income changed little despite continued growth in women's educational qualifications and employment.

This is important contextual information for the Committee to consider as it deliberates on the gender wage gap.

The fact that women's share of income stalled at 37% somewhere in the mid 1990s tells part of the story about the failure thus far to achieve an equitable distribution of economic outcomes. Further insights can be achieved by looking at the quintile-distribution of

men's and women's incomes. If there was no inequality in the incomes of men and women, then there would be 20% of men and 20% of women located in each quintile group. This is not the case. Women are over-represented in the lowest income quintiles and under-represented in the highest quintiles. In 2005/6, for example, 25% of women were in the bottom quintile while only 11% of women were in the top quintile. The pattern for men was opposite: 29% of men were in the top quintile and only 15% were in the bottom quintile.

Proportion of men and women in personal income quintiles, 1982, 1995-96 and 2005-06

| | Women | | | Men | | |
|-----------------|-------|---------|---------|------|---------|---------|
| | 1982 | 1995/96 | 2005/06 | 1982 | 1995/96 | 2005/06 |
| Bottom quintile | 33.0 | 25.4 | 25.2 | 7.3 | 14.7 | 14.8 |
| 2nd | 24.6 | 24.9 | 25.8 | 15.6 | 15.3 | 14.2 |
| 3rd | 21.8 | 22.4 | 21.6 | 18.3 | 17.5 | 18.5 |
| 4th | 13.1 | 17.0 | 16.6 | 26.8 | 23.0 | 23.3 |
| Top quintile | 7.5 | 10.4 | 10.8 | 32.0 | 29.6 | 29.2 |

Reflecting the stalling in the growth of women's share of income in the last decade, there was very little change in the distribution of men and women across the gross income quintiles. The proportion of women in the two lowest income quintiles did not change greatly between 1995-96 and 2005-06, with about 25% in the former group, and 10% in the latter.

As alluded to in the introduction to this section, an important driver for change in women's position on the distribution of income should be their employment status and their earnings from employment, with both influenced heavily by educational attainment. Earnings dominate individual income comprising, on average, 95% of total personal income. However, what is concerning is that the decade to 2005-06 featured substantial growth in women's employment without an associated improvement in income share. The employment rate of women rose from 50% in 1995-96 to 54% in 2005-06 whilst, as already noted, the income share hardly altered.

It is worth asking: why didn't the substantial growth in the employment (and education) rate of women translate into an improvement in their position on the distribution of gross income over the decade to 2005-06?

A small part of the answer to this question lies in the changes in men's employment rate, which also increased (from 67.5 to 68.5%), contributing to their claim on personal income, over the decade. However, a more important part of the story has to do with part time employment. As is shown in the table below, the majority of jobs growth for women between 1995 and 2005 was concentrated in part time employment and men's share of full time work increased over the decade.

Women's and men's labour force participation, 1982, 1995 and 2006

| | Women | | | Men | | |
|--------------------|-------|---------|---------|-------|---------|---------|
| | 1982 | 1995/96 | 2005/06 | 1982 | 1995/96 | 2005/06 |
| employed full time | 26.4 | 28.5 | 29.5 | 68.4 | 60.0 | 58.4 |
| employed part time | 14.4 | 21.2 | 24.7 | 4.1 | 7.5 | 10.1 |
| Not employed | 59.1 | 50.3 | 45.8 | 27.5 | 32.5 | 31.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Calculated from ABS Labour Force Australia electronic datafile (cat no.6202.055.001) – average of 12 months' data for relevant years.

To see the significance of full time employment for women's relative income shares it is useful to also consider the data for 1982 through to 1995/96 shown in the above table. Importantly this period was associated with an increase in women's rate of full time employment (by 2 percentage points) and a substantial decline in men's full time employment rate (by over 8 percentage points). As was the case in many countries in the 1980s – early 1990s, full time job losses were concentrated in male, full time employment and women's income share increased as they captured a higher proportion of full time jobs. These changes in women's share of full time work were correlation with an upward shift in women's position on the distribution of income: The proportion of women in the bottom quintile fell from approximately one-third to one-quarter, and the proportion of women in the top two quintiles rose from just over 20% to just under 30% between 1982 and 1995/96.

In summary, women's relative economic position does not simply depend on gaining access to jobs but also, substantially, on their access to full time work. It is impossible to discuss the gender wage gap or gender equality in Australia without addressing the concentration of women's employment in part time jobs.

Associated changes in the composition of women's incomes

The *2008 Social Trends* publication also contains some interesting data on the importance of earnings as a source of income for women. As could be expected, earnings became a much more important source of income for women as their employment rate increased over the last ¼ century. The average proportion of income coming from earnings was 51% in 1982 and by 2005-06 this had increased to over 62%.

There are some interesting patterns to this change across the 25 year period and across the different parts of the income distribution. First, among women with relatively high incomes, the importance of earnings fell between 1995-96 and 2005-06 and the importance of public transfers increased. (For example, for women in the highest income quintile, the earnings share fell from almost 96% to around 91% and the public transfers share more than doubled (from 0.7 to 1.6%)). This carries the implication that women with the highest incomes are no more likely now to be high *earners* than they were a decade ago – which, in turn, conveys information on women's lack of progress into high paid jobs.

The largest changes in the importance of earnings occurred for women located in the second quintile. Between 1995 and 2005 the earnings share for these women increased from 34.2 to 50.6%. The importance of public transfers fell for this group from 59.3 to 40.3%. What we see here is the role of part time work in providing many women with a relatively low level of income and the way that part time work reduces but does not eliminate their need for supplementary income from the State.

Share of Earnings and Social Transfers in Women's Personal Incomes, by Quintile Group, 1982, 1995-96 and 2005-06

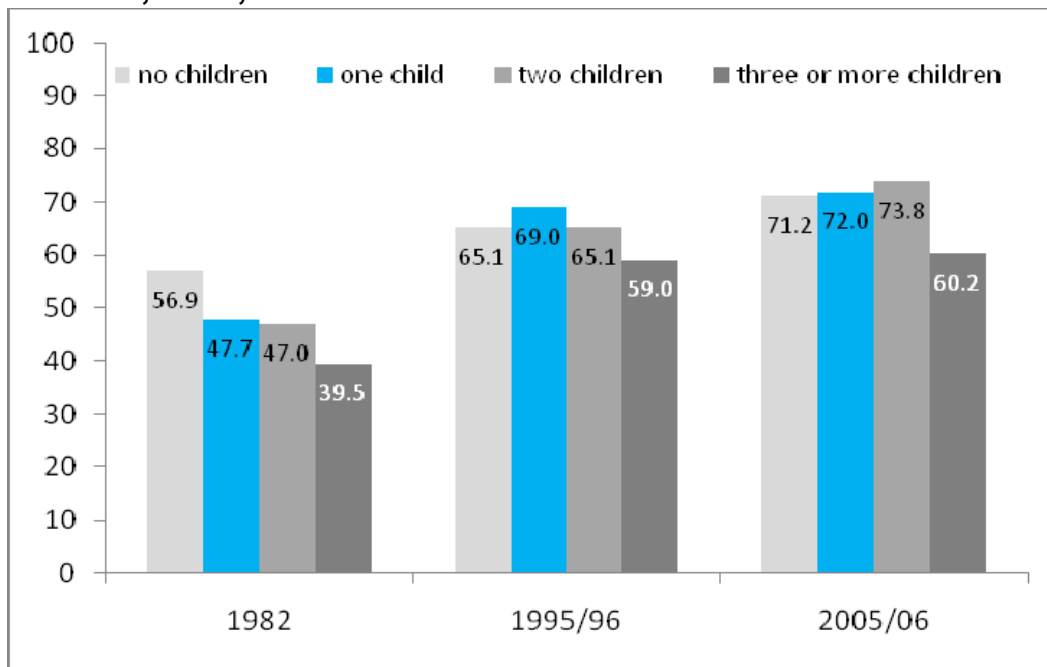
| | 1982 | 1995/96 | 2005/06 |
|---------------------------|------|---------|---------|
| Per cent with some income | 93.6 | 90.4 | 94.8 |
| Earnings | | | |
| Bottom quintile | 4.4 | 16.5 | 17.9 |
| Second quintile | 34.7 | 34.2 | 50.6 |
| Third quintile | 86.8 | 80.9 | 82.2 |
| Fourth quintile | 94.1 | 93.4 | 89.8 |
| Fifth quintile | 91.1 | 95.8 | 91.2 |
| All women | 51.0 | 60.8 | 62.4 |
| Public transfers | | | |
| Bottom quintile | 74.7 | 48.5 | 52.9 |
| Second quintile | 55.4 | 59.3 | 40.3 |
| Third quintile | 7.0 | 14.3 | 12.1 |
| Fourth quintile | 1.8 | 2.8 | 4.9 |
| Fifth quintile | 1.7 | 0.7 | 1.6 |
| All women | 37.9 | 29.0 | 25.9 |

Changes in the composition of women's incomes across different household types

The *2008 Social Trends* publication by Redmond and Austen also explored the patterns of change in women's incomes across partnered/ non-partnered women and across women with different numbers of children. In particular, partnered women with dependent children were the one group that did not record an increase in earnings share over the most recent decade. This contrasts the experience of single women with children and partnered women without children. For both these groups, the share average of earnings in gross income increased in the decade to 2005 (for partnered women without children this increase was 6 percentage points; for single women with children this increase was around 3 percentage points).

One factor contributing to these divergent patterns is low growth in the employment rate of women with three or more children. Trends in employment among partnered women with one or two children were generally similar to trends among women with no children throughout the quarter century. Among these women the proportion in employment increased from about 47 to 67% between 1982 and 1995/96, and increased further over 70% during the subsequent decade. The proportion of women with three or more children in employment also increased substantially, from 40 to 59%, between 1982 and 1995/96. However, the proportion of this group in employment changed little over the next decade and, as has already been noted, a large share of employment growth has been concentrated in part time employment.

Per cent partnered women in employment, by number of dependent children, 1982, 1995-96 and 2005-06



Summary on Income Inequality

This brief survey of recent trends in women’s incomes provides a “big picture” perspective on the topic of the gender wage gap. It highlights the need for research into the barriers to women accessing high paid employment and it emphasises the importance of close investigation of the circumstances and opportunities of part time workers; and of the reasons why women’s share of income and full time employment stalled in over the last decade.

Participation Rates

The next part of this submission takes up the theme of Australian women's relatively low rate of participation in full time employment. Specifically, the Committee's attention is drawn to research that will be shortly published in the journal *Public Policy* (Austen, S. (2008), 'The Labour Force Involvement of Women: Lessons from a Comparison of Canada and Australia, *Public Policy* 3(2), forthcoming).

The involvement of women in paid work is currently substantially higher in Canada than Australia. In 2004, the labour force participation rate (LFPR) of women aged 15 and over was 62.1 per cent in Canada compared with 55.8 per cent in Australia (Statistics Canada, 2005; ABS, 2005). Within the key child-rearing age group the difference in participation rates is larger, with 80 per cent of Canadian women aged 25-40 years engaged in paid work, as compared to just below 70 per cent of their Australian counterparts. When differences in part time work are also considered, the gap in the employment patterns of women in the two countries becomes even more pronounced: The rate of part time employment for women aged 25-44 is about twice as large in Australia as it is in Canada (OECD, 2003)¹.

The paper explores the possible reasons for these differences. These include Australia's higher fertility rates and differences in the taxation and benefit systems between the two countries. It was concluded that neither of these factors could explain the differences in employment rates observed at the time of writing: The gap in employment rates persisted when the comparison of rates was limited to women with the same number of children. Furthermore, the tax and benefit regimes applying in the two countries in 2004/05 imposed similar and very high marginal effective tax rates on secondary earners – most of whom were women. It was observed in the paper that neither government's system of taxation and family benefits actively promoted women's involvement in either part time or full time work.

Among the factors that appear to have some role in explaining the gap in the employment rates of Australian and Canadian women are the different approaches to the subsidization of child care costs, paid maternity and paternity leave, and the provision of post-school education. In the early 2000s Canadian women (but not Australian women) could claim child care costs as a tax deduction. This caused the financial rewards from especially full time work to be substantially higher for Canadian women and this is likely to have contributed to the observed differences in the rates of full time work.

Canada is, according to the 1997 ILO Maternity Protection at Work Report (ILO, 1997), among the world leaders with respect to maternity and parental leave benefits and among the ten nations that provide the highest levels of maternity leave benefits to eligible

¹ For example, among women aged 30-34, 38.3% of employed Australian women work part time, as compared to 20.2% of Canadian women. In the 35-39yr age group the rates are 47.7% and 22.8% respectively.

women. As has been widely documented, Australia's maternity leave standards are very low by international standards. Evidence from other countries has identified significant effects of maternity leave on employment rates. For example, Joshi, Dex and Macran (1996) found that a typical British mother with one child under the age of three had an estimated probability of being in paid employment after a period of maternity that was 25 percentage points higher *if she had taken maternity leave*. As the level of maternity benefits is one of the few clear differences in the economic environment affecting the participation decisions of Canadian and Australian mothers, its possible role in explaining the differences in employment rates is particularly important, and worthy of further investigation.

The paper also pointed to a substantial role for post-school education in explaining the employment rate differences between Canada and Australia. There is a large gap in post school education in the two countries (reaching almost 23 percentage points for women in their early thirties)². Additionally, there are important links between education and labour force participation within each country. In Australia, in 2001, the LFPR of women with post school qualifications was, on average, 18.5 percentage points higher than that of women without these qualifications. The equivalent difference in Canada, in the same year, was 27.6 percentage points.

The Committee's attention is especially drawn to the fact that these differences in post school education *are not* currently associated with large differences in university education. Indeed, the proportion of women with a university qualification is roughly the same in the two countries: According to the most recent OECD (2006: Table A1.3c) education data, 23 per cent of Australian women aged 25-64 have a Bachelor degree or higher. In Canada this figure is 22 per cent. Rather, the differences in education appear to lie in access to other post school training, specifically what the OECD (2006) refers to as 'tertiary-type B' qualifications³. In 2004, 26 per cent of Canadian women, as compared to 10 per cent of Australian women, held such a qualification (OECD 2006: Table A1.3c).

These correlations suggest that Australia's low female employment could be due to lack of adequate post-school educational opportunities *outside* the traditional university sector. These findings add to the general observations of Birrell and Rapson (2006) on the urgent need to address a lack of training opportunities for young Australians. The findings also add to earlier research findings of Austen and Seymour (2006) that showed that

² More recent data from the OECD confirms this pattern. In 2004, 48% of Canadian women aged 25-64 held a tertiary qualification in 2004, as compared to 33% of Australian women (OECD (2006). *Education at a Glance*, accessed on November 2 2006 at <http://www.oecd.org/dataoecd/47/51/37363421.xls>).

³ The OECD identifies two types of tertiary programmes: Tertiary-type A programmes are defined as largely theory based and are designed to provide sufficient qualifications for entry to advanced research programmes and professions with high skill requirements, such as medicine, dentistry or architecture. They have a minimum cumulative theoretical duration (at tertiary level) of three years' full-time equivalent. Tertiary-type B programmes are typically shorter and focus on practical, technical or occupational skills for direct entry into the labour market. They have a minimum duration of two years full-time equivalent at the tertiary level.

generational change in participation rates amongst Australian women with only high school educational qualifications has been very low.

Given that the labour market participation of women is important to both gender equity and levels of equity across groups of women, it is important that better understandings of the opportunities for post-school education and training available for young women are developed, and that the role of these opportunities in creating employment pathways for women over the life course be fully explored.

Wage Inequality

The next part of this submission summarises the findings of some research that was recently completed on wage inequality as part of a report by WiSER to the Australian Fair Pay Commission on *Gender Pay Differentials and Minimum Wages*.

This study involved, first, a number of questions about low paid employment and its importance in relation to women's employment patterns. We found that women working part time make up a relatively large share of total employment in industries and occupations that can be categorised as low paid, whilst women working full time make up a relatively small share of total employment in low paid industries and occupations. However, we observed that growth in part time employment – both for women and men – has been spread across low-paid and other industries and occupations in the last decade. Indeed, a positive recent trend has been the substantial growth in women's employment (albeit from a low base) in the occupational categories of managers, professionals and associate professionals.

The project also explored the consequences of women's 'location' in relatively low paid industries and occupations for the gender wage gap. Not surprisingly we identified a gap in the average wages of women and men.

There are a range of estimates of the size of this gap in average earnings. Standard approaches use ABS Survey of Employee Earnings and Hours data, which provides measures of the hourly cash earnings of FT, non-managerial workers. This identifies a gender wage gap of about 10%. An alternative approach, still using EEH data, is to compare the average weekly cash earnings of men and women. As men typically work longer hours each week this shows a higher gap: about 12%.

The standard approaches are problematic in that they exclude part time workers from the comparison. When part time work relates to the employment circumstances of close to half of all women this is a large oversight. Our response to this has been to turn to the ABS Survey of Income and Housing (SIH) data to derive measures of the hourly earnings of ALL workers. Comparing the average hourly earnings of men and women in 2005/06 shows a 13.6% wage gap.

However, even this approach leaves some problems. For example, it assumes that the hourly earnings of casuals and permanents are equivalent – even though the earnings of casual worker are meant to compensate for an absence of sick and holiday leave. Given the concentration of women in part time (and often casual) work, the approach understates the size of the gender wage gap.

Keeping in mind this important data limitation, it is worth considering some of the patterns in the gender wage gap that we identified across low paid and other industries based on the SIH data for 2005/06. The gender wage gap is smaller in low paid than other industries (the average across low paid industries is 6.5% and across the high paid industries it is 16.5%). This is consistent with the pattern of the gender wage gap across the earnings distribution: at the 10th percentile the gap is 6.8% at the 90th percentile it is 22.9%.

The gender wage gap – measured by SIH data on hourly earnings – increased from 12.5% to 13.6% between 1995/06 and 2005/06. However, in the group of low paid industries the wage gap fell (on average by 4.7%), whilst it increased in the group of other industries (on average by 1.7%). This ties in with information presented at the start of this submission – that women have improved their relative position at the bottom of the income distribution but haven't made much progress towards improving their representation at the top of the income distribution. However, it leaves open questions about why the growth in women's employment in relatively high paid occupations – managers and professionals – hasn't resulted in greater wage equality at the top of the earnings distribution.

The WiSER study for the AFPC also explore the role that minimum wage rates play in determining the gender wage gap. Fortin and Lemieux (1997) identified such a role in their study of changes in the distribution of US wages between 1979 and 1988. Specifically, they identified that reductions in the real value of the minimum wage was a source of poorer relative wage outcomes for US women over the 1979-1988 period.

WiSER's analysis of changes in the distribution of Australian wages between 1995/06 and 2005/06 reached similar conclusions on the positive role of minimum wages. However, the context of these findings differed. Specifically, the real value of the minimum wage in Australia increased marginally over the study period and the position of the minimum wage rate relative to median earnings remained largely unchanged (at close to 80% of median earnings). Although wage inequality increased over the same period – and the gender wage gap increased – it is likely that the increases in the real value of the minimum wage reduced the size of these changes. For example, we estimate that if minimum wage adjustments had not been awarded to what are known as 'minimum wage dependent workers' – and, instead, the wage increases achieved by these workers only equaled the amount the ACCI was prepared to offer at national wage hearings conducted since 1995 – then the gender wage gap in 2005/06 would have been approximately 14.8% instead of 13.6%.

Conclusion

There are many important issues for the Committee to consider as part of its investigation of pay equity and women's participation in paid work. This submission has highlighted a number of these:

- The factors that caused Australia's progress towards more equal shares of income to stall in the last decade;
- The slow advancement of women into full time work;
- The limited earnings of women in part time work;
- The lack of progress of women into relatively high paid jobs;
- The low participation of women in paid work;
- The limited post-school training and education opportunities outside the university sector;
- The continued concentration of women's employment in low paid industries and occupations;
- The potential to expand the role of wage regulation.

I look forward to discussing these issues with the Committee at its Perth hearings on November 5th.

Siobhan Austen

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