



DIVERSITY  
COUNCIL  
AUSTRALIA



Australian Government



Workplace  
Gender Equality  
Agency

# She's Price(d)less

## **The economics of the gender pay gap – Summary report**

Prepared with Diversity Council Australia (DCA) and the  
Workplace Gender Equality Agency (WGEA)

**22 August 2019**

[kpmg.com.au](http://kpmg.com.au)

# Foreword



**Alison Kitchen**

National Chairman

KPMG Australia

KPMG is pleased to release the current edition of the gender pay gap report, *She's Price(d)less*.

This report is the third of its kind and builds on our critical work with the Diversity Council Australia and the Workplace Gender Equality Agency from 2009 and 2016.

KPMG recognises the persistence of gender pay gaps and discrimination against women in the Australian labour market. Solving the challenge of Australia's gender pay gap is not only fair and sensible, it's an economically responsible endeavour.

Evidence reflected in this report identifies the key drivers of the gender pay gap. These findings provide crucial knowledge that can help government and business take action and build on the progress that has been made.

The most significant drivers of the gender pay gap in Australia continue to be discrimination against women along with family and care, and industrial and occupational segregation.

As is proven in the *She's Price(d)less* report, addressing barriers to equality is critical to the development of Australian society and the nation's economic growth.

Taking action on Australia's gender pay gap is the right thing to do and would produce lasting and significant benefits for individuals, families, businesses and communities.



**Lisa Annese**

CEO

Diversity Council Australia

Diversity Council Australia (DCA) is very proud to present this third iteration of *She's Price(d)less* with KPMG.

For too long, the Australian gender pay gap has remained stubbornly high. Despite excellent work that many DCA members are undertaking to close the gap in their own organisations, structural inequalities and rigid gender-norms continue to diminish our capacity to provide pay equality across the economy.

To get our house in order, we have to address pay inequity at a systemic level. We need to challenge ideas that the vast majority of caring responsibilities and housework should fall to women. As this report shows, at the moment, close to two-fifths of the gender pay gap is attributable to women taking on a greater share of unpaid housework and caring responsibilities, more career breaks and a higher share of part-time work.

We need to tackle the social norms that see the majority of men and women working in different industries and different types of jobs.

And we need to end gender-based harassment and discrimination, which now accounts for almost 40 per cent of the gender pay gap.

The work that we need to do to make these changes is not simple, but as this report shows, there are huge potential gains for the Australian economy if we do.

I am excited by the opportunities for improvement presented in this report. We see this as a call to action for policy makers who want to make sustainable change.



**Libby Lyons**

Director

Workplace Gender  
Equality Agency

The gender pay gap is an important measure of women's position in our economy and society.

This report and the two that preceded it have given us a deeper understanding of Australia's gender pay gap and the factors which combine to create it. At the heart of each of these factors are stubborn gender stereotypes about the roles women and men play in both paid and unpaid work and family and caring responsibilities. These stereotypes continue to shape the working lives of Australian women and men and their earning potential.

We know there are many actions employers can take to achieve pay equity. However, we cannot rely solely on the actions of employers if we are going to close the gender pay gap. We must also change the outlook, the hearts and minds of all Australians. We must challenge ourselves in order to change the very ingrained gender stereotypes that underpin the gender pay gap. We need to challenge our blind acceptance that women's work is less valuable than men's work. We have to accept that real and lasting cultural change is required if we are going to achieve and sustain gender equality in our workplaces and in society more broadly.

It is my hope that the insights and recommendations in *She's Price(d)less* will play a valuable part in driving the impetus for such change. Our children deserve nothing less and our nation's future success depends on it.

# Disclaimer

## ***Inherent Limitations***

*This report has been prepared as outlined with the Diversity Council Australia Limited (**DCA**) and the Workforce Gender Equality Agency (**WGEA**) in the Scope Section of the engagement letter dated 20 February 2019 (**Engagement Letter**) and varied 7 May 2019 (**Variation Letter**). It provides a summary of KPMG's findings during the course of the work undertaken for the DCA and the WGEA. Therefore, the contents of this report does not represent our conclusive findings, which will only be contained in our final detailed report, which is available at [www.kpmg.com/au/paygap](http://www.kpmg.com/au/paygap).*

*The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.*

*KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.*

*No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by stakeholders consulted as part of the process.*

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## ***Third Party Release***

*This report is provided solely for the purpose set out in the Scope Section of the Engagement Letter and for the information of the DCA and the WGEA, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.*

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## ***Acknowledgements***

*This paper uses unit record data from Household Income and Labour Dynamics in Australia (**HILDA**) conducted by the Australian Government Department of Social Services (**DSS**). The findings and views reported in this paper, however, are those of the author[s] and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners. DOI:10.4225/87/VHRTR5*

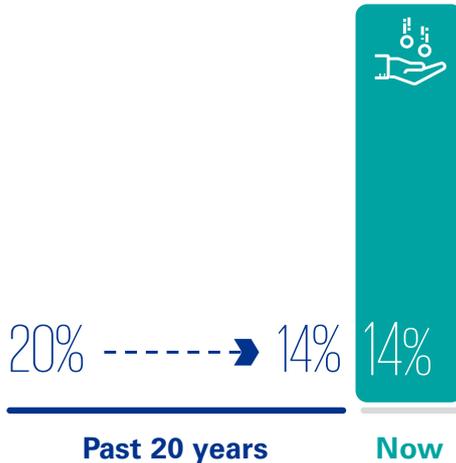
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# Key messages



## Weekly wage gaps over the past 20 years



Source: ABS average full-time average weekly earnings gap between men and women



## Hourly wage in \$

2017 WOMEN per hour	2017 MEN per hour	2017 HOURLY wage gap
\$31.14	\$33.57	\$2.43

## Hourly wage gaps by %



Source: KPMG analysis of Household, Income and Labour Dynamics in Australia Survey, Waves 7, 14 and 17 (HILDA Survey).

Alongside the overall decrease in the hourly gender pay gap, there have been changes in the share of drivers of the gap between 2014 and 2017.



### Gender discrimination

The most significant single component contributing to the gender pay gap in Australia continues to be gender discrimination, accounting for **39 per cent** of the gender pay gap.

Closing this gap is equivalent to **\$182 million** each week.



### Care, family and workforce participation

Factors that relate to the gendered impact of **children and family** (years not working due to interruptions, part-time employment and unpaid care and work) together account for **39 per cent** of the gender pay gap.

Closing this gap is equivalent to **\$186 million** each week.



### Occupational and industrial segregation

Occupational and industrial segregation persist across the labour force.

Together, occupational and industrial segregation account for

**17 per cent** of the gender pay gap.

Closing this gap is equivalent to **\$77 million** each week.

A 2018 KPMG report, *Ending workforce discrimination against women*, found that **halving the gender pay gap** in Australia and **reducing entrenched discrimination against women in the workforce** could result in a payoff to society valued at **\$60 billion in GDP by 2038**.

Source: KPMG, 2018, *Ending workforce discrimination against women*, viewed 16 February 2019, available at: <https://home.kpmg/au/en/home/media/press-releases/2018/04/improving-workforce-participation-rates-for-woman-could-boost-gdp-26-april-2018.html>.

# Introduction

The gender pay gap measures the difference between the average earnings of women and men in the workforce. It is not the difference between two people being paid differently for work of the same or comparable value, which is unlawful. This is called equal pay. The gender pay gap is an internationally established measure of women's position in the economy in comparison to men. It is the result of the social and economic factors that combine to reduce women's earning capacity over their lifetime.

The gender pay gap is influenced by a number of factors, including:

- discrimination and bias in hiring and pay decisions;
- men and women working in different industries and different jobs, with female-dominated industries and jobs attracting lower wages;
- women's disproportionate share of unpaid caring and domestic work;
- lack of workplace flexibility to accommodate caring and other responsibilities, especially in senior roles; and
- women's greater time out of the workforce impacting career progression and opportunities.

The gender pay gap starts from the time women enter the workforce. The pay gap, together with time out of the workforce for caring reasons and women's higher likelihood of part-time work, impacts on their lifetime economic security.<sup>i</sup>

## Purpose and scope

Diversity Council Australia (DCA) and the Workplace Gender Equality Agency (WGEA) share a commitment to diversity and inclusion, particularly gender equality. As part of this commitment, KPMG, DCA and WGEA have worked together since 2009 to develop a greater evidence base on the nature and drivers of the gender pay gap in Australia. This work has culminated in the release of two major reports, namely, *Understanding the Economic Implications of the Gender Pay Gap in Australia* ('the 2009 Report'), and *She's Price(d)less: The Economics of the Gender Pay Gap* ('the 2016 Update Report').

In preparing the 2019 report, an error was identified in the way that KPMG presented the results for part-time employment and industrial and occupational segregation in the 2016 report. The methodology and aggregate results remain unchanged. Revised results can be found in Section 3.2 of the full report.

## Approach

This 2019 report makes an important contribution to the evidence base explaining the drivers of the gender pay gap.

Consistent with the 2009 and 2016 reports, this report applies the Walby and Olsen technique, tailored for the Australian context, using the most recent HILDA data available (2017). This approach was originally developed and applied in the United Kingdom. It estimates the factors that impact wages and simulates the changes that would arise if women's levels of these attributes were in line with those of men. The analysis assumes that wages are broadly equivalent to the value of a person's output.<sup>ii</sup>

In this new report we investigated additional factors that help explain the gender pay gap. We found that hours of housework, as a proxy for unpaid care and work, was a significant driver of the gender pay gap.

The full report outlines the methodology, limitations and full findings – including trends in the underlying drivers of the gender pay gap. It also has an overview of approaches to modelling.

The statistical modelling provides only a point-in-time analysis of the gender pay gap. A discussion of the limitations of our analysis is provided in our full report.

# Drivers of the gender pay gap

The hourly gender pay gap in Australia reduced from \$3.05/hr in 2014 to \$2.43/hr in 2017 in today's dollars. The results show that gender discrimination and industrial and occupational segregation persist, and continue to be significant drivers of the gender pay gap.

Our results are summarised below.

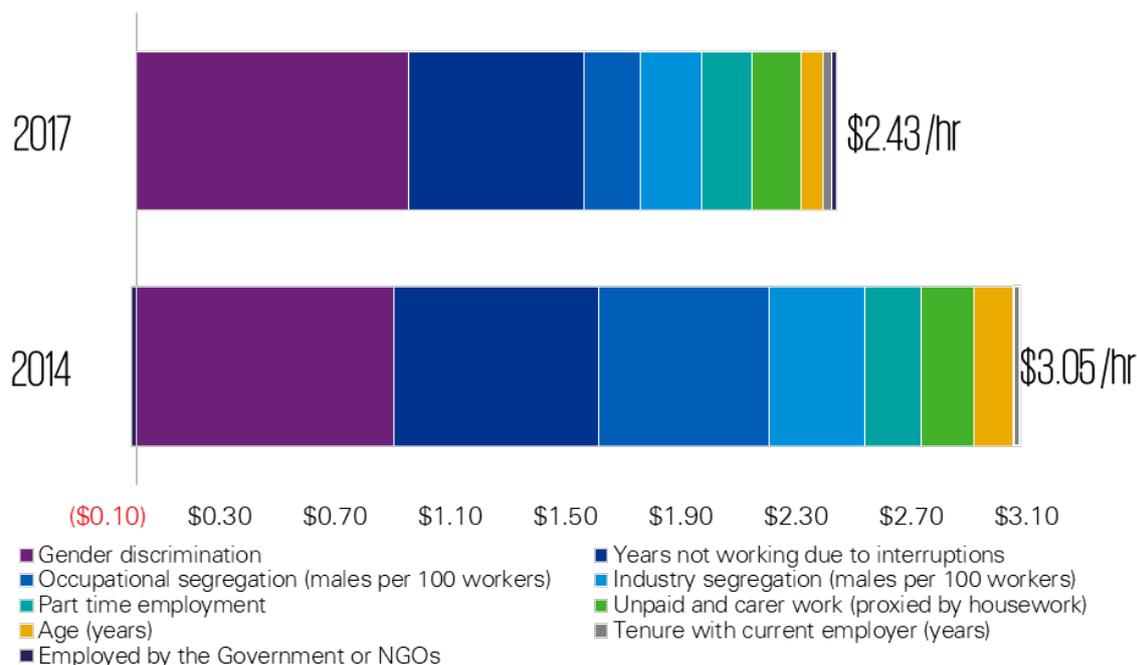
	Contribution			Dollar-equivalent		
	2014 (Wave 14)	2017 (Wave 17)	Change	2014 (Wave 14)	2017 (Wave 17)	Change
 <b>Gender discrimination</b>	29%	↑ 39%	+10%	\$0.90	↑ \$0.95	+\$0.05
 <b>Years not working due to interruptions</b>	23%	↑ 25%	+2%	\$0.71	↓ \$0.61	-\$0.10
 <b>Occupational segregation</b>	20%	↓ 8%	-12%	\$0.60	↓ \$0.19	-\$0.41
 <b>Industrial segregation</b>	11%	↓ 9%	-2%	\$0.33	↓ \$0.21	-\$0.12
 <b>Part-time employment</b>	6%	↑ 7%	+1%	\$0.19	↓ \$0.18	-\$0.01
 <b>Unpaid care and work (proxied by hours per week on housework)</b>	6%	↑ 7%	+1%	\$0.18	↓ \$0.17	-\$0.01
 <b>Age (years)</b>	5%	↓ 3%	-2%	\$0.14	↓ \$0.08	-\$0.06
 <b>Tenure with current employer</b>	1%	↑ 1%	+0%	\$0.02	↑ \$0.03	+\$0.01
 <b>Working in Government or NGO</b>	-1%	↑ 1%	+2%	-\$0.02	↑ \$0.02	+\$0.04
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>NA</b>	<b>\$3.05</b>	<b>\$2.43</b>	<b>-\$0.62</b>

Note: Results may add to more than 100 per cent or the total due to rounding. The total gender pay gap has been derived from the difference between the average hourly wage for male and female wage earnings, with the decomposition undertaken for selected variables only.

A decrease in the contribution of a factor to the gender pay gap does not necessarily indicate that the value or nature of the underlying factor has changed, rather, that its significance in driving differences in pay has diminished.

Source: KPMG analysis of the Household, Income and Labour Dynamics in Australia Survey, Wave 14 and 17 (HILDA Survey).

Chart 1: Factors contributing to the gender pay gap (dollar equivalent) in 2014 and 2017



Note: Chart 1 shows the contribution of the various drivers modelled to the gender pay gap between 2014 and 2017. A decrease in the contribution of a factor to the gender pay gap does not necessarily indicate that the value or nature of the underlying factor has changed, rather, that its significance in driving differences in pay has diminished.

Source: KPMG analysis of the Household, Income and Labour Dynamics in Australia Survey, Wave 14 and 17 (HILDA Survey).

## Gender discrimination

The results show that the most significant component contributing to the gender pay gap in Australia continues to be gender discrimination, accounting for 39 per cent in 2017 (up from 29 per cent in 2014).

Gender discrimination can be understood as the element of the gender pay gap that would remain if men and women had the same levels of the other factors.

The finding of the analysis that gender discrimination is the most significant driver of the gender pay gap is in line with a considerable body of evidence about the impact of discrimination on wage gaps in Australia and elsewhere.

Importantly, gender discrimination and social norms also influence the other factors that drive gender pay gaps, such as industrial and occupational segregation.

This suggests that addressing underlying gender discrimination should be a target of policy efforts and initiatives in the private sector, including activities focused on highlighting the extent of gender pay gaps and

the contribution of discrimination to these gaps, and reducing discrimination directly through cultural change.

## Care, family responsibilities and workforce participation

### Years not working due to interruptions

The total proportion of the gender pay gap explained by career interruptions increased slightly between 2014 and 2017 (23 per cent to 25 per cent).

There can be a number of reasons for career interruptions, including career breaks, study and unemployment. However, women tend to take time out of the workforce to care for young children or family members. Women can also be penalised in anticipation of time out of the workforce.

The significance of career interruptions on gender pay gaps suggests that interventions aimed at reducing gender pay gaps need to consider parental leave and care.

## Part-time employment

Part-time employment accounted for six per cent of the 2014 gender pay gap and seven per cent of the 2017 gender pay gap.

Women represent the majority of the Australian part-time work force. Part-time work reduces current income and long-term earning potential<sup>iii</sup> as part-time workers may have fewer opportunities to develop their skills and miss out on promotions.<sup>iv</sup>

Research shows that differences remain in how firms reward workers who require or prefer different amenities, particularly flexibility.<sup>v</sup> The evidence highlights the need to address biases in promotions as part-time workers may not be rewarded in line with those who work full-time.

## Unpaid work

The results suggest that the level of unpaid work undertaken by women relative to men (proxied by hours of housework undertaken each week) contributed to seven per cent of the gender pay gap in 2017. The impact of this driver was relatively consistent in the 2014 results. Unpaid work accounted for six per cent of the 2014 gender pay gap.

Unpaid care and work is a gendered issue, contributing to labour market inequalities and linked with employment quality, and increases the likelihood of part-time or insecure casual and contract work.<sup>vi, vii</sup>

While it is at times suggested in public discourse that women have 'chosen' to reduce their time in work, social norms towards the distribution of unpaid care and work and factors such as job segmentation and pay can mean that these 'choices' are inherently constrained.<sup>viii</sup>

## Industrial and occupational segregation

Industrial and occupational segregation continues to be a significant contributor to the gender pay gap. In 2017, these factors together accounted for 17 per cent of the gender pay gap. This is a decrease from the 2014 decomposition, which found that occupational and industrial segregation, taken together, accounted for 31 per cent of the gap.

Occupational segregation refers to the unequal distribution of women and men in particular occupations or categories.

Women are overrepresented in lower paid roles and positions and underrepresented in more senior roles and managerial roles (vertical segregation).

Industrial segregation occurs when females and males are more concentrated in different industry sectors. This is a significant factor underlying the gender pay gap, particularly when women's employment is concentrated in lower paid sectors.

Occupational and industrial segregation occurs in part because of social norms regarding expectations about the roles of men and women.<sup>ix</sup> Roles and industries traditionally dominated by women are lower paid than roles and industries traditionally dominated by men.<sup>x</sup>

# Opportunities for change

Australia has recorded strong improvements in workplace gender equality. However, the evidence also suggests there remains much to do.

Continued coordination across government, business and the community to close the gap has the potential to deliver important economic and social benefits for women, families, and the community and economy more broadly.

This analysis shows that closing the primary drivers of gender pay gap is equivalent to \$445 million per week, or about \$23 billion per year.

These findings are in line with a 2018 KPMG report, *Ending workforce discrimination against women*, which found that halving the gender pay gap in Australia and reducing entrenched discrimination against women in the workforce could result in a massive payoff to society valued at \$60 billion in GDP by 2038. The 2018 report also uses economic modelling to show that taking focused steps to increase female participation rates could deliver a \$140 billion lift in living standards by 2038.<sup>xi</sup>

The following tables illustrate some of the high level opportunities from closing the gender pay gap. Due to the nature of available data, this information should be considered an illustration only and is not intended as an indication of the potential effect of any of the strategies identified.

Table 1: Potential opportunities for improvement

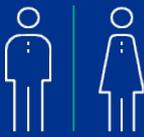
PRIMARY UNDERLYING DRIVER				
GENDER DISCRIMINATION				
Contributing Factor (Modelled)	Estimated Impact on the Gender Pay Gap	Dollar Equivalent	Level of Change to Reduce to Zero	Examples of Opportunities to Effect Change
Gender discrimination	-\$0.95/hr (-39%)	+\$182m per week	Removal of gender discrimination in workplaces and the community	<p>Addressing discrimination in work practices such as hiring, promotion and access to training<sup>xii</sup></p> <p>Increased pay transparency and reporting on gender pay gaps<sup>xiii</sup></p> <p>Undertaking gender pay gap audits and acting on findings<sup>xiv</sup></p>



## PRIMARY UNDERLYING DRIVER

### CARE, FAMILY RESPONSIBILITIES AND WORKFORCE PARTICIPATION

Contributing Factor (Modelled)	Estimated Impact on the Gender Pay Gap	Dollar Equivalent	Level of Change to Reduce to Zero	Examples of Opportunities to Effect Change
Proportion working part time	-\$0.18/hr (-7%)	+\$186m per week	Reduction in the <b>27</b> percentage point gender difference in the proportion of men and women working part-time	Improving work life balance, increasing availability of flexible work <sup>xv</sup> Increasing availability of childcare or decreasing cost <sup>xvi</sup>
Hours of unpaid care and work (proxied by hours of housework)	-\$0.18/hr (-7%)		Reduction in the <b>5.21</b> hour gender gap in average unpaid hours of work	Enhancing availability and uptake of shared parental care Reducing disincentives to increasing workforce participation through personal tax, family payment and childcare support systems <sup>xvii</sup>
Years not working due to interruptions	-\$0.61/hr (-25%)		Reduction in the <b>2.35</b> year gender difference in the number of years not working due to interruptions	Changing workplace culture and addressing unconscious bias



## PRIMARY UNDERLYING DRIVER

### GENDER SEGREGATION IN INDUSTRIES AND OCCUPATIONS

Contributing Factor (Modelled)	Estimated Impact on the Gender Pay Gap	Dollar Equivalent	Level of Change to Reduce to Zero	Examples of Opportunities to Effect Change
Industrial segregation	-\$0.21/hr (-9%)	+\$77m per week	A reduction in the components of segregation that are associated with gender pay gaps	Breaking down social norms regarding what roles and industries are appropriate for men and women Increasing the share of women in leadership positions, including through targets or quotas <sup>xviii</sup> or other diversity policies <sup>xix</sup>
Occupational segregation	-\$0.19/hr (-8%)			Developing networks of advocates for gender equality among men and women who can address barriers and affect change.

Note: The decomposition analysis also includes age (years), tenure with a current employer and working in government or an NGO. These factors together account for 5 per cent of the total gender pay gap but are not considered primary drivers for the purpose of this analysis. The figures in the table are based on the modelled results and assume for the purposes of illustration that other factors are held constant. In practice, changes in any factor would likely be associated with changes in other factors. These dependencies are not able to be estimated. Different policies and interventions would have different impacts, implementation costs and benefits. Due to available data, it is not possible to attribute the precise impacts, and further, many of the strategies identified have not been appraised in detail in the available literature or data.

Source: KPMG analysis of the Household, Income and Labour Dynamics in Australia Survey, Wave 17 (HILDA Survey).

<sup>i</sup> Workplace Gender Equality Agency (WGEA), 2019.

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- <sup>ii</sup> It is important to note that the implication is *not* that women are currently paid less than men because they are not as productive and is in no way a reflection on the current contribution or value of the work of women. Instead, wages are used as a substitute for productivity, which is widely recognised as an acceptable proxy. See Walby, S. and Olsen, W. 2002, *The impact of women's position in the labour market on pay and implications for UK productivity*. Report to Women and Equality Unit, pp. 18-20.
- <sup>iii</sup> WGEA, 2016, *Unpaid care work and the labour market: Insight paper*, WGEA, Sydney.
- <sup>iv</sup> Abhayaratna, J., Andrews, L., Nuch, H. and Podbury, T., 2008, *Part Time Employment: The Australian Experience*. Staff Working Paper, Productivity Commission, Canberra.
- <sup>v</sup> Ferrant, G., Pesando, L. and Nowacaka, K., 2014, *Unpaid care work: the missing link in the analysis of gender gaps in labour outcomes*. OECD Development Centre, viewed 4 April 2019, [https://www.oecd.org/dev/development-gender/Unpaid\\_care\\_work.pdf](https://www.oecd.org/dev/development-gender/Unpaid_care_work.pdf).
- <sup>vii</sup> WGEA, 2016, *Unpaid care work and the labour market: Insight paper*, WGEA, Sydney.
- <sup>viii</sup> Preston, A. and Yu, S. (2015), 'Is there a part-time/full-time pay differential in Australia?' *Journal of Industrial Relations*, 57(1): 24-47.
- <sup>ix</sup> Dockery, M. and Buchler, S. 2015, *Occupational segregation and women's job satisfaction*, Bankwest Curtin Economics Centre Working Paper Series.
- <sup>x</sup> *Ibid.*
- <sup>xi</sup> KPMG, 2018, *Ending workforce discrimination against women*, viewed 16 February 2019, available at: <https://assets.kpmg/content/dam/kpmg/au/pdf/2018/ending-workforce-discrimination-against-women-april-2018.pdf>, see also <https://home.kpmg/au/en/home/media/press-releases/2018/04/improving-workforce-participation-rates-for-woman-could-boost-gdp-26-april-2018.html>.
- <sup>xii</sup> Chang, J., Connell, J., Burgess, J., and Travaglione., A. 2014, 'Gender Wage Gaps in Australian Workplaces: Are Policy Responses Working?', *Equality, Diversity and Inclusion*, 33(8), pp. 764-775.
- <sup>xiii</sup> PayScale, 2018, *The State of the Gender Pay Gap in 2018: How Large It Is, How Much It Grows As Workers Climb The Corporate Ladder, and How Career Disruptions Perpetuate The Gender Pay Gap*, April 2018; France 24, 2018, 'Scrap gender pay gap or face fines, France tells firms', viewed 4 March 2019, <https://www.france24.com/en/20180307-france-women-equal-pay-scrap-gender-gap-or-face-fines-firms-philippe-work-labour-reform>.
- <sup>xiv</sup> WGEA, 2018, *Gender Equity Insights 2018: Inside Australia's Gender Pay Gap*, March 2019.
- <sup>xv</sup> WGEA, 2013, *Engaging Men in Flexible Work*, August 2013.
- <sup>xvi</sup> The Productivity Commission estimated that around 165,000 parents (on a full-time equivalent basis) would like to work, or work more hours, but are not able to do so because they are experiencing difficulties with the cost of, or access to, suitable child care.
- <sup>xvii</sup> KPMG, 2018, *The Cost of Coming Back: Achieving a Better Deal for Working Mothers*, viewed 19 February 2019, <https://home.kpmg/au/en/home/insights/2018/10/working-mothers-returning-to-work.html>.
- <sup>xviii</sup> Ceda, 2013, *Women in Leadership: Understanding the Gender Gap*, Ceda: Melbourne.
- <sup>xix</sup> In Australia the number of women on the Boards of ASX-listed companies grew from 8.3 percent in 2009 to 26.2 percent in 2017 due in part to a diversity policy implemented by the ASX Corporate Governance Council in 2010. Australian Human Rights Commission 2018, *Face the Facts: Gender Equality*, November 2018.



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