

Gender and ethnic pay gaps: Evidence from NZ

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**NEW ZEALAND
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Outline

- What are the key drivers of gender and ethnic pay gaps in NZ?
 - What cannot be explained?
 - Options for policymakers / businesses.
 - What is the role of pay transparency?

Stats NZ Disclaimer

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975.

The results presented are the work of the author(s), not of Statistics NZ

Gender pay gap research

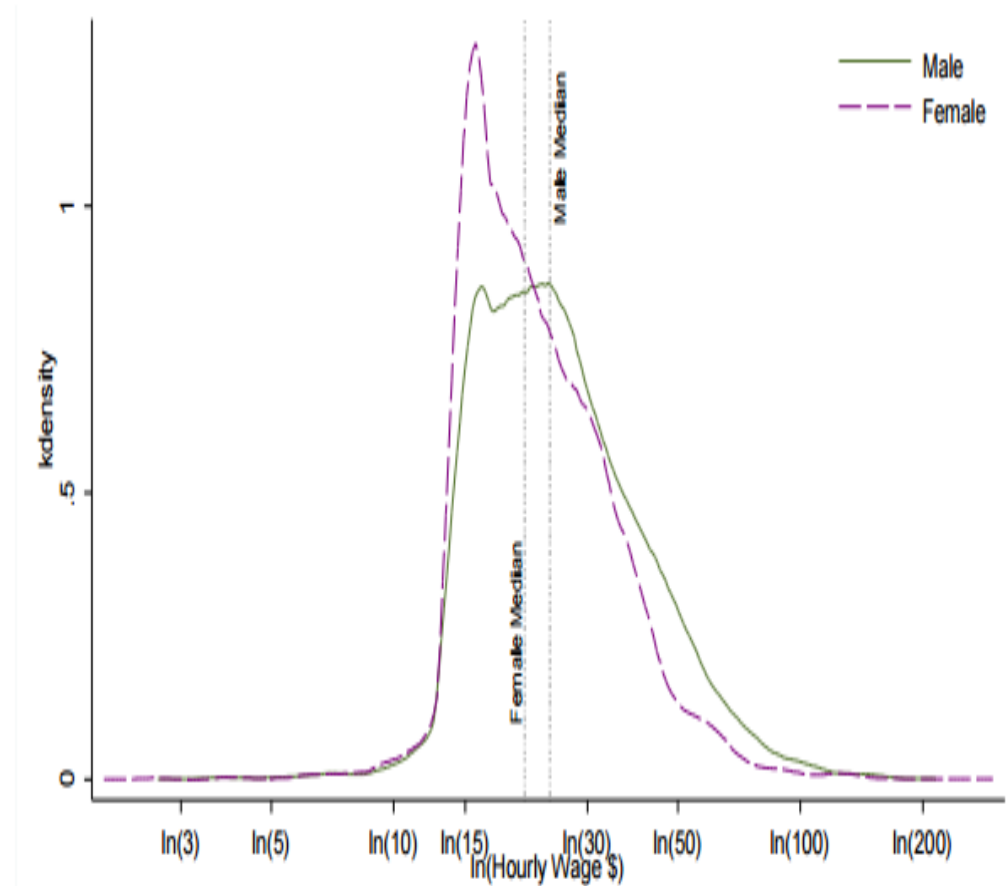
Objectives:

- Estimate size of the gender pay gap, controlling for all observables
- Apportion the gap into 'explained' and 'unexplained'
- Correct for sample selection bias
- What about propensity score matching
- Check how the gap fares across the wage distribution

Data

Income survey

- Representative sample
- Working age (16-64)
- Dropped tails
- Exclude self-employed



Education gains

- Five categories of educational attainment:
No qualification; school; post-school; bachelors; postgraduate.
- Females overtaking males in all levels (except post-school)
- Males more likely to have no qualifications
- Let's compare to educational differences to early research:
- Bachelor's degree or higher

1997	Males = 14.3%	Females = 12.4%
2022	Males = 24.3%	Females = 31.7%

Empirics

Oaxaca decomposition:

Separates wage differences into two components:

1. Explained component – male / female differences in average characteristics
2. Unexplained component – male / female differences in returns to characteristics

Unexplained problematic to interpret.

Decomposition of total gap



Difficult to compare with international evidence:

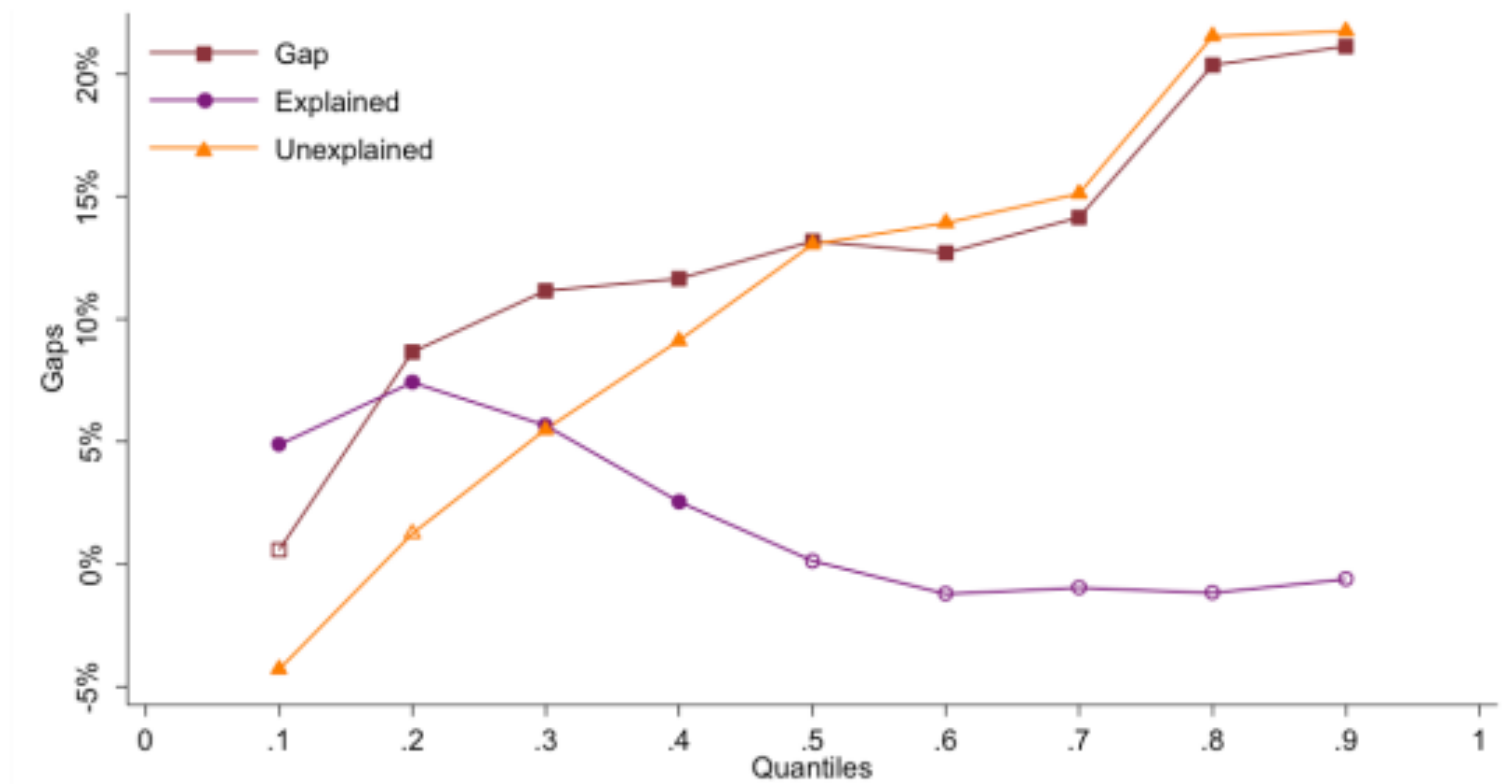
- Christofides et al (2013) finds unexplained = 74% in Denmark; 76% in Germany; 45% in the United Kingdom
- OECD finds figures ranging from 15% to 100%

Unexplained

- Unobserved differences in characteristics, e.g. subject of degree
- Different preferences regarding non-pecuniary aspects of the job
- Discrimination
- Unconscious bias
- ??

Across the wage distribution

Figure 3: Gender pay gaps across wage distribution



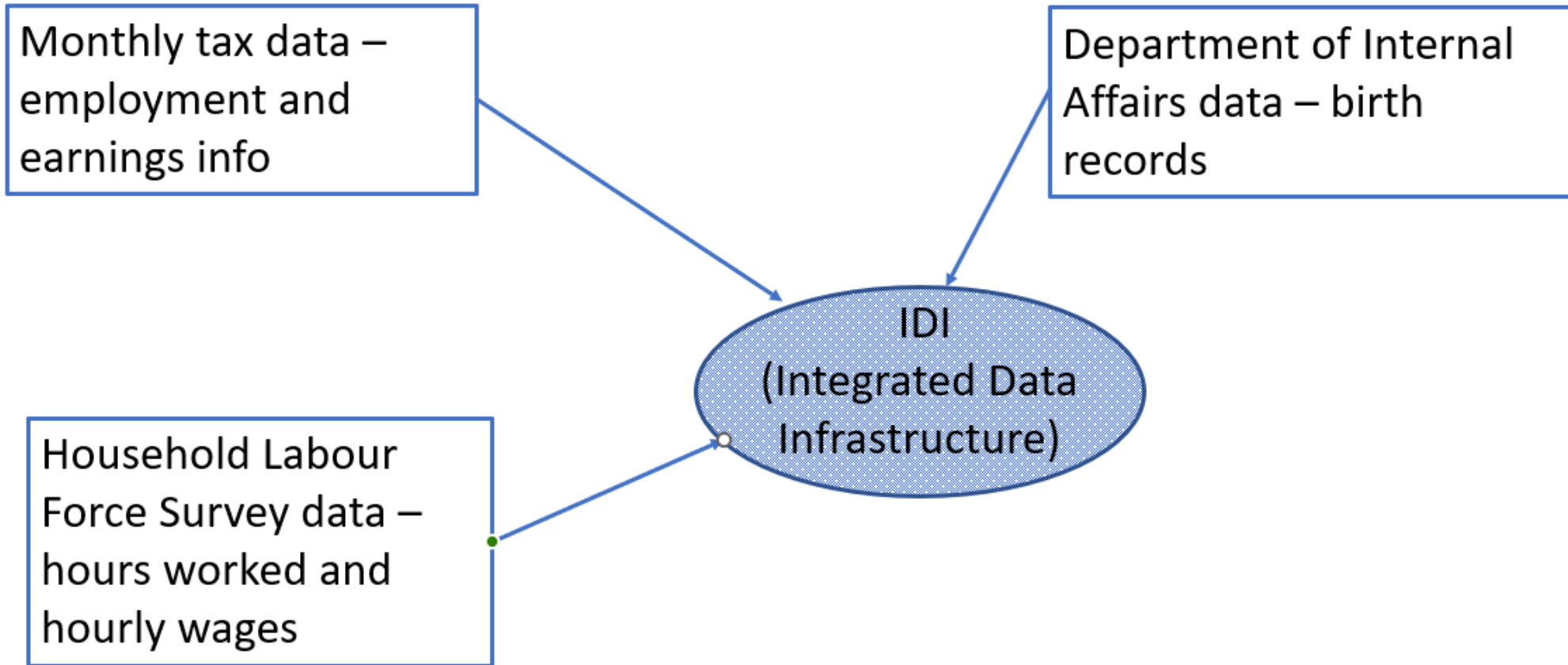
Note: Hollow markers indicate insignificant gaps at 10% significance level. Source: 2015 IS. Author's compilation.

- Strong evidence pointing to a glass ceiling effect in NZ

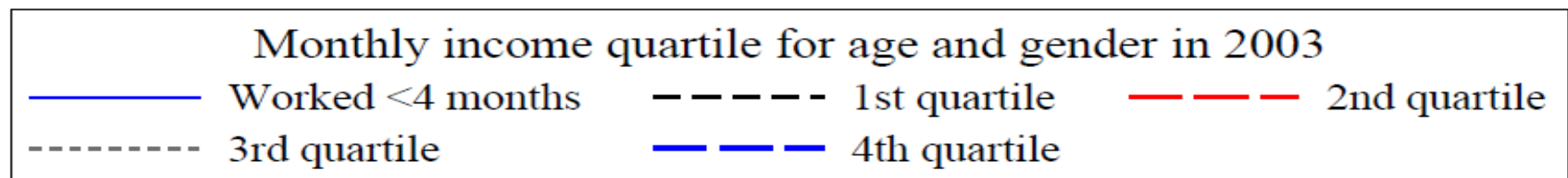
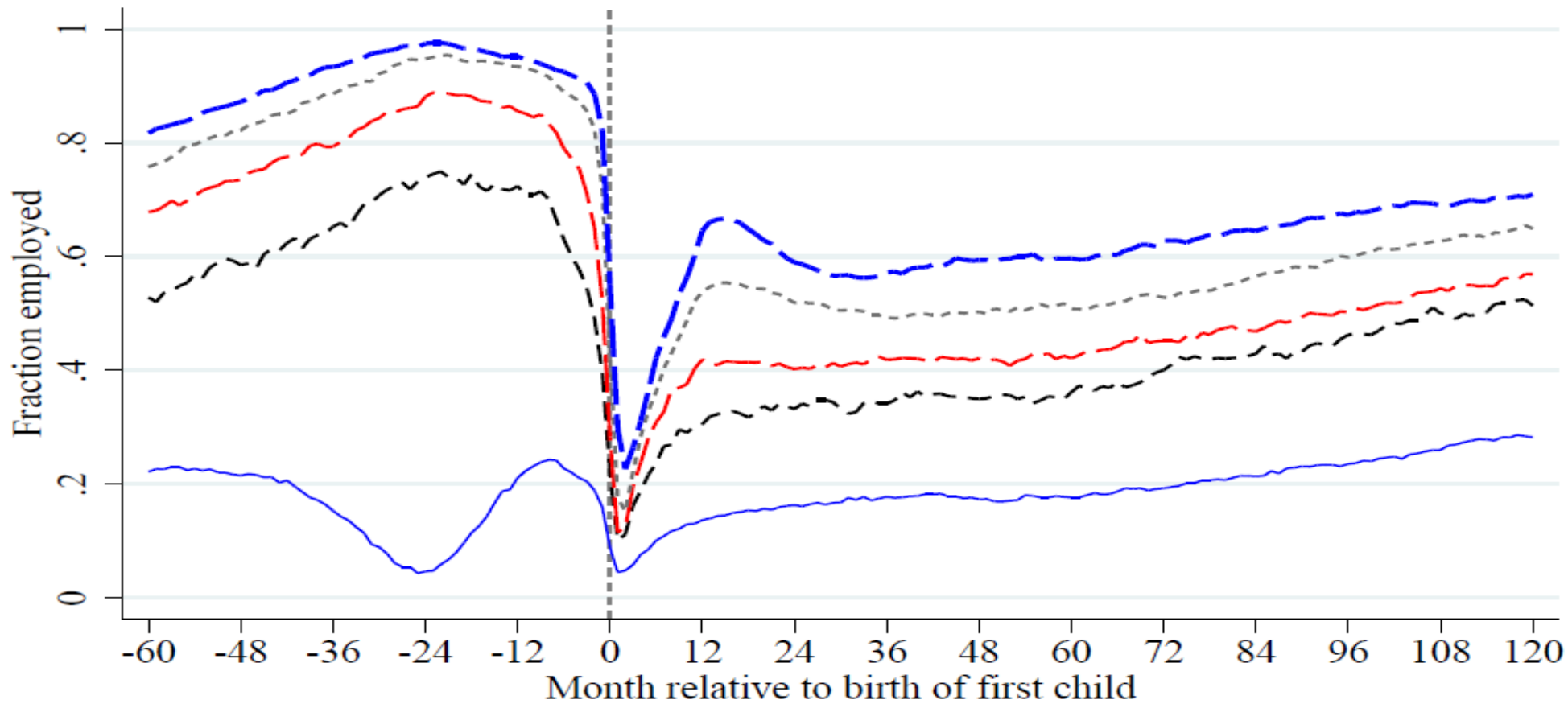
Role of parenthood

- How do first-time mothers and fathers' employment patterns change after they have children?
- How have their hours worked, monthly earnings, and hourly earnings changed when they return to work post-parenthood?
- How do these changes differ by time out of employment?

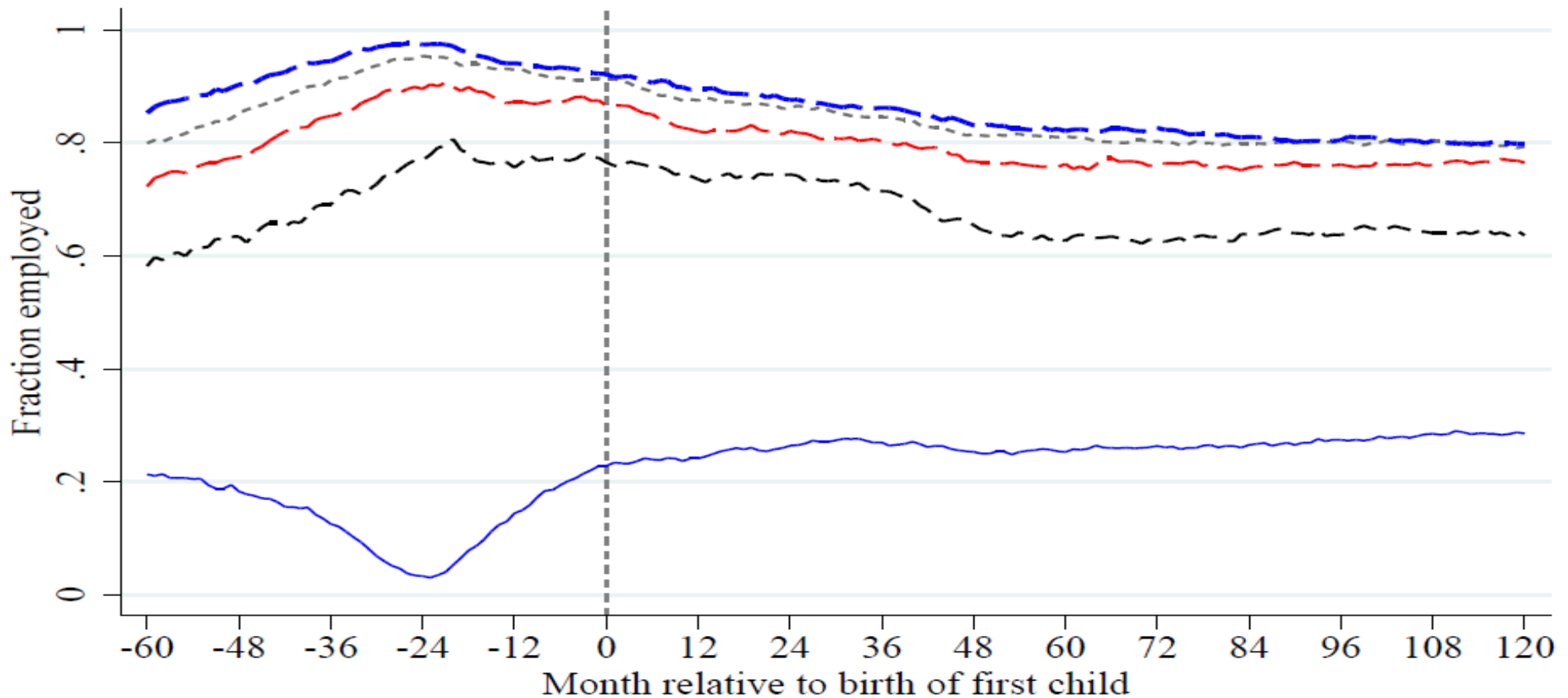
Data



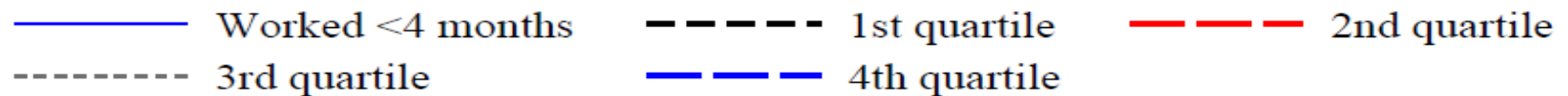
Mother's employment rates



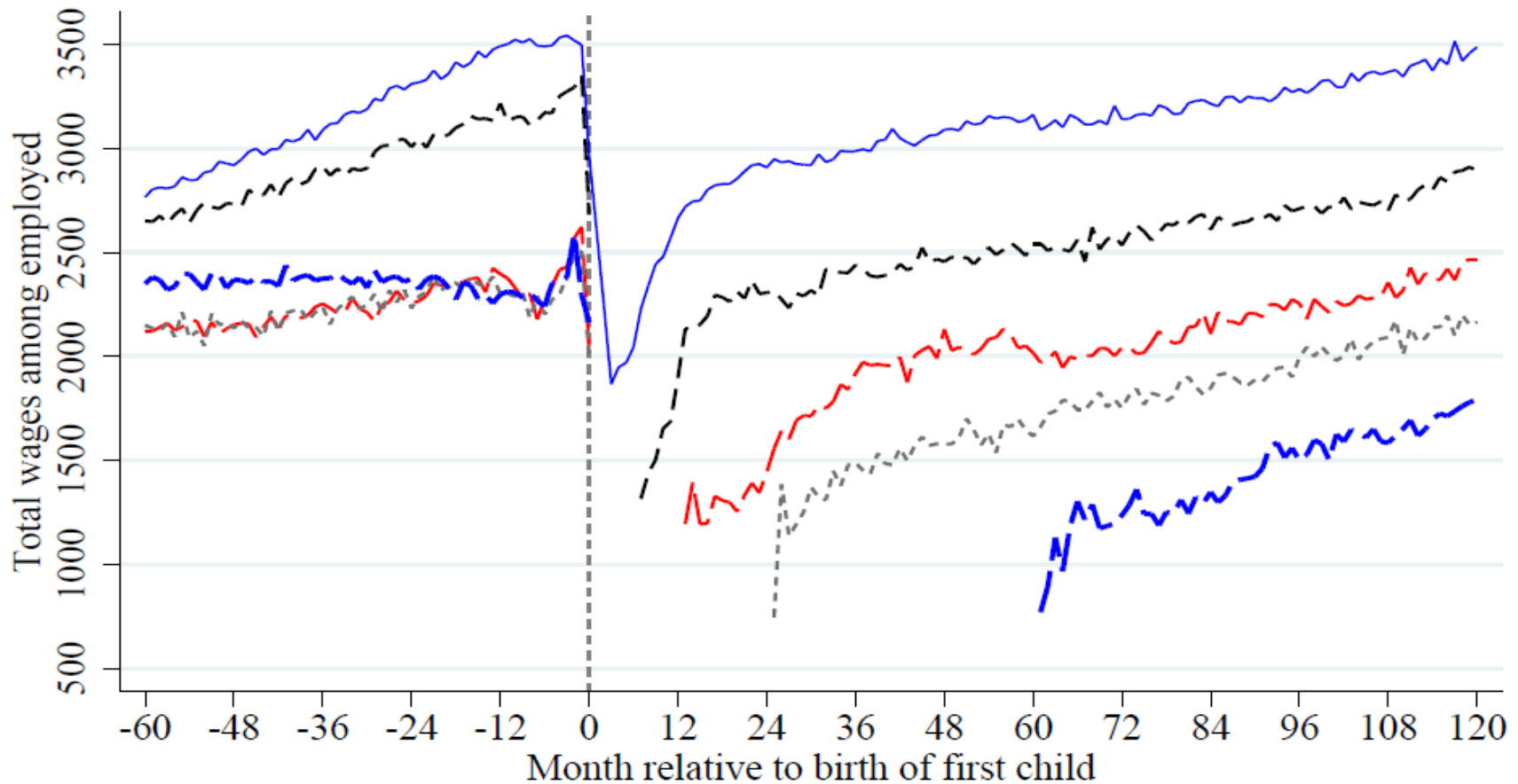
Father's employment rates



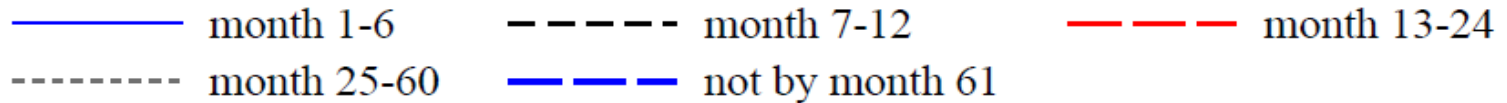
Monthly income quartile for age and gender in 2003



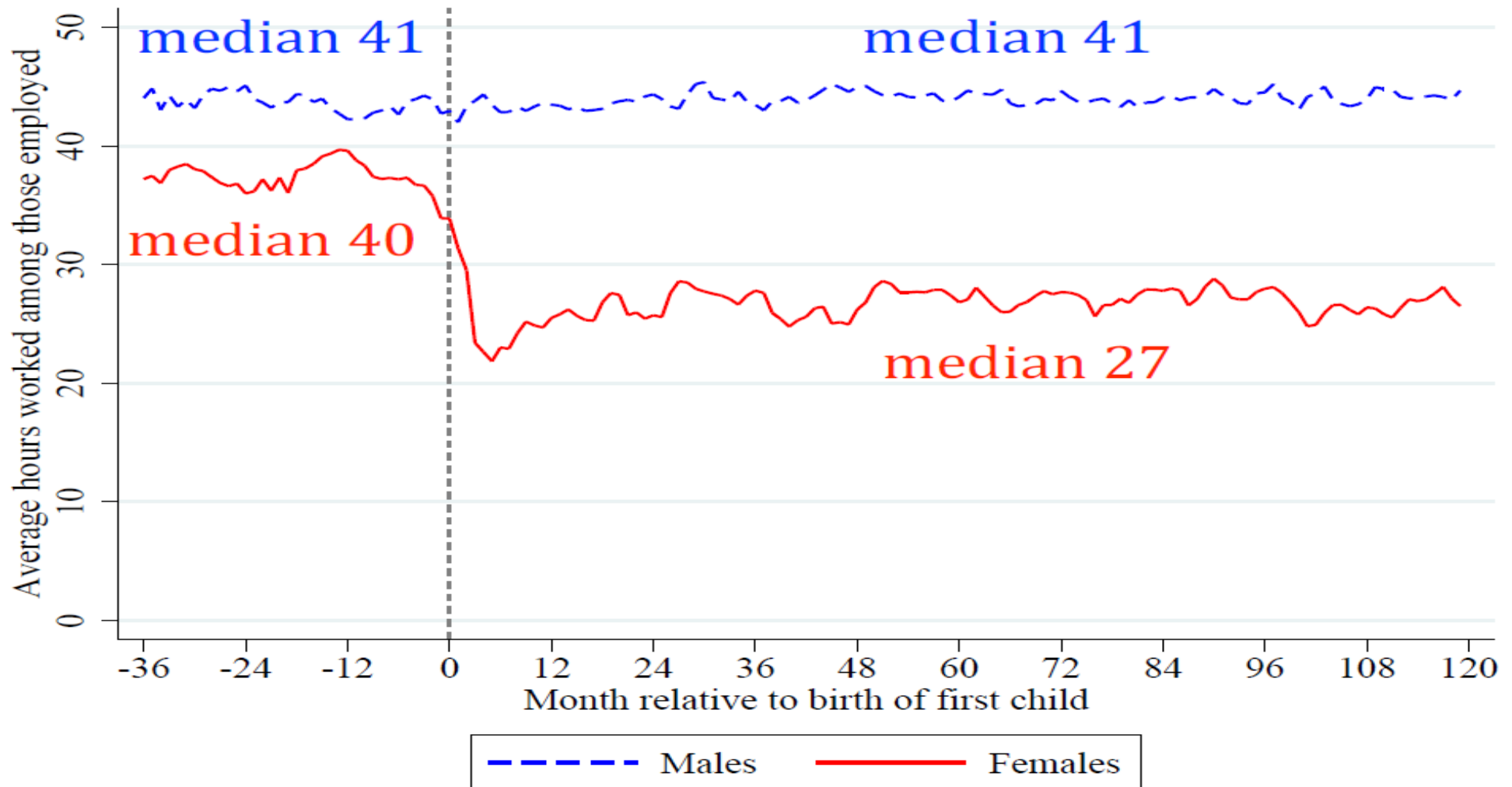
Earnings by time out of work



First month back earning wages after child's birth



Hours worked if employed



Ethnic pay gaps

- The Human Rights Commission conducted a Pacific pay gap inquiry recently
- The Pacific pay gap (with Europeans) was 24% and 15% in 2020 for males and females respectively
- Our analysis and associated media available at <https://workresearch.aut.ac.nz/research/the-pacific-pay-gap-inquiry>
- HRC's final report available at <https://pacificpaygap.hrc.co.nz>

Why do Pacific people earn less?

Explained differences

These are mainly due to:



Occupation



Industry



Education*



Pacific-Pākehā pay gap for men[^]

27%
Explained

73%
Not explained



Pacific-Pākehā pay gap for women^{^^}

39%
Explained

61%
Not explained

Not explained differences

These can arise from:

Discrimination



Unconscious bias



Non-monetary preferences / non-observable factors



Summary and Policy options

- Career breaks contribute to the pay gap, with our analyses illustrating the pay gap increases with parenthood
- Policies for families:
 - Investing in capacity / quality of ECE
 - What policies can increase more equal share of household responsibilities?
 - Consideration of 'daddy months' in national parental leave
 - Parental leave schemes – review of replacement rate

Summary and Policy options

- Occupation / industry differences play a role
- Policies for firms:
 - Businesses undertaking their own analysis and audits
 - Transparency
 - Recruitment / retention policies
 - Removal of pay secrecy clauses in employment contracts
 - etc

Pay transparency

- UK: March 2018, organisations with 250+ employees must report on their gender pay gap.
- France: March 2018, firms must prove they close the gender pay gap in three years or face fines. This includes introduction of software that firms should use if 50+ employees to monitor wage discrepancies.
- Australia: 2024, firms with more than 100 employees must report their gender pay gap data to WGEA and provide this information to employees

Pay transparency – in NZ

- [Mind the Gap](#) – they have launched a pay gap registry, written to government, and presented a petition to parliament for mandatory pay gap reporting
- Human Rights Commission – include it as one of the recommendations in their Pacific pay gap inquiry.
- They also recommend resourcing a government agency to provide support to employers to improve quality of reporting and follow-up action plans.

Pay transparency – in NZ

- Ministry for Women & Ministry of Business, Innovation and Employment have begun planning a work programme – they are considering a range of mechanisms.
- Impacts of pay transparency:
 - Overseas evidence indicates a reduction in pay gap
 - Slower growth in men's wages
 - Women exhibited a preference for low pay gap employers
 - Can impact consumer behaviour too

Thank you

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Resources:

- [Gender pay gap research](#)
- [Parenthood and labour market research](#)
- [Ethnic pay gap research](#)

Extra slides

Pay equity settlements

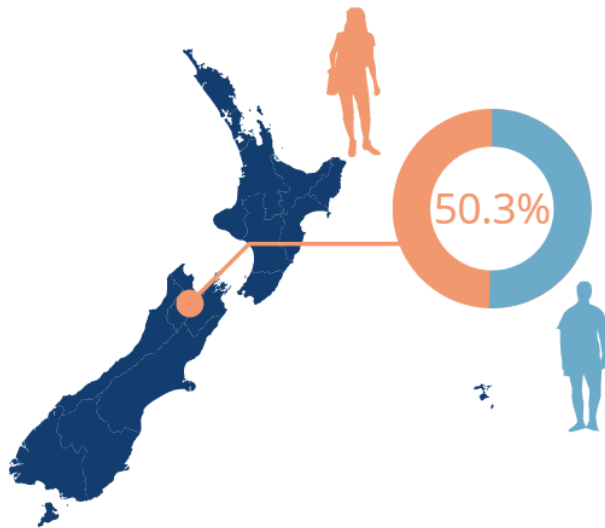
Pay equity vs equal pay

- Pay equity is about women and men receiving the same pay for doing jobs that are different, but of equal value (that is, jobs that require similar degrees of skills, responsibility and effort).
- Equal pay is about men and women getting the same pay for doing the same job. The process for making equal pay claims is largely unaffected by the new Act.

Pay equity settlements

- Raise a claim if they do work that is (or was historically) female dominated and their work is or has been undervalued.
 - If employer disagrees – process of dispute resolution
 - If employer agrees – process of examining and bargaining
- For example Care and Support Workers (Pay Equity) 2017 Act – see evaluation [here](#)
- Recently social workers settlement
- Important to evaluate and consider spillover effects

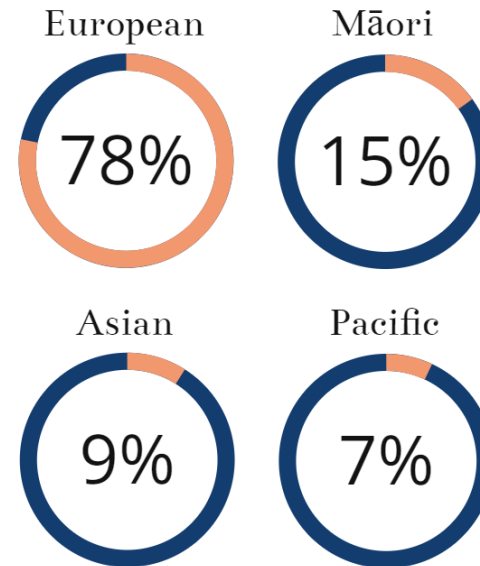
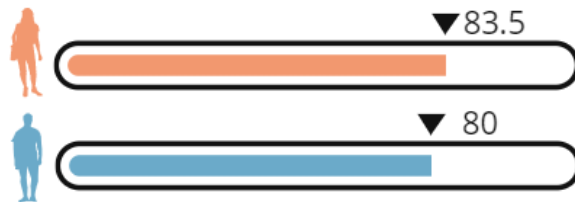
Women in NZ



63% ALL
53.9% MAORI
55.3% PACIFIC

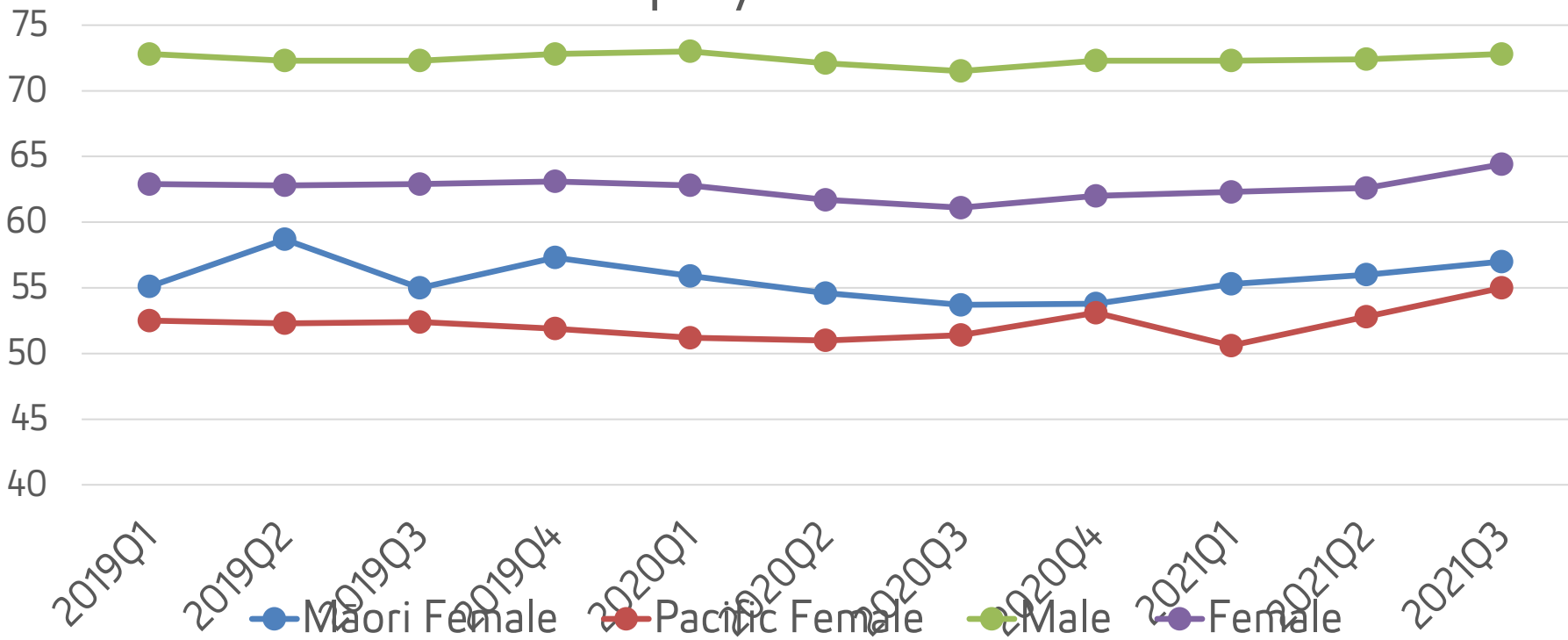
Female labour force participation rate.

Life expectancy

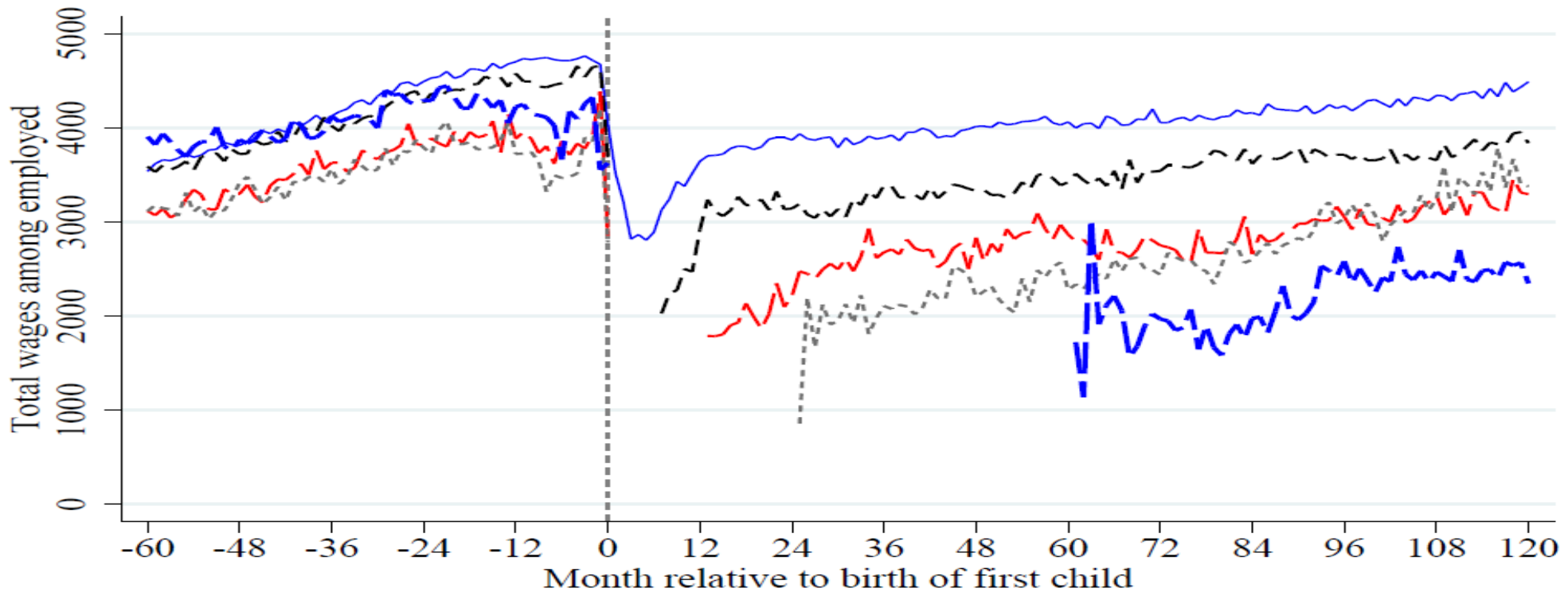


COVID-19 and Employment in NZ

Employment Rate



And results for highest income



First month back earning wages after child's birth

