

Pay gaps and the NZ labour market

Professor Gail Pacheco



**NEW ZEALAND
WORK RESEARCH INSTITUTE**

Outline

- Gender pay gap research
- Parenthood
- Ethnic pay gaps
- Pay transparency
- Pay equity settlements (if time)

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

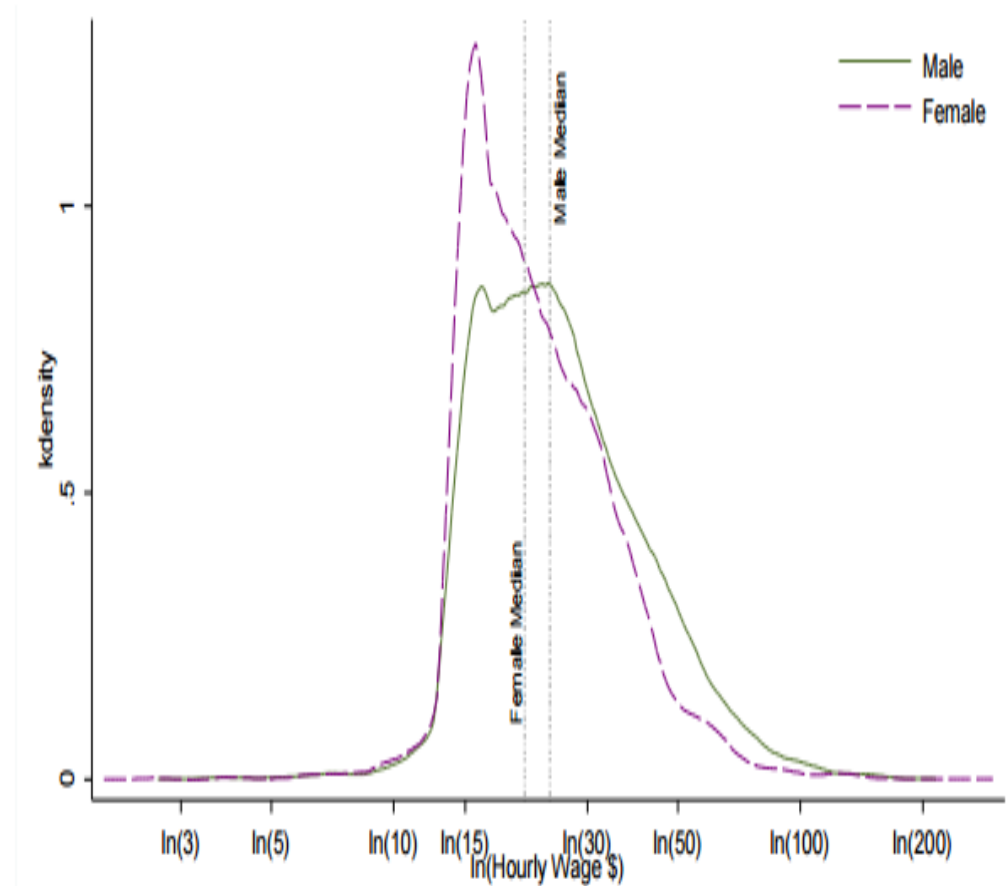
Objectives:

- 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%
2015	Males = 22.5%	Females = 30.5%

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 = 12.71%



Difficult to compare with international evidence:

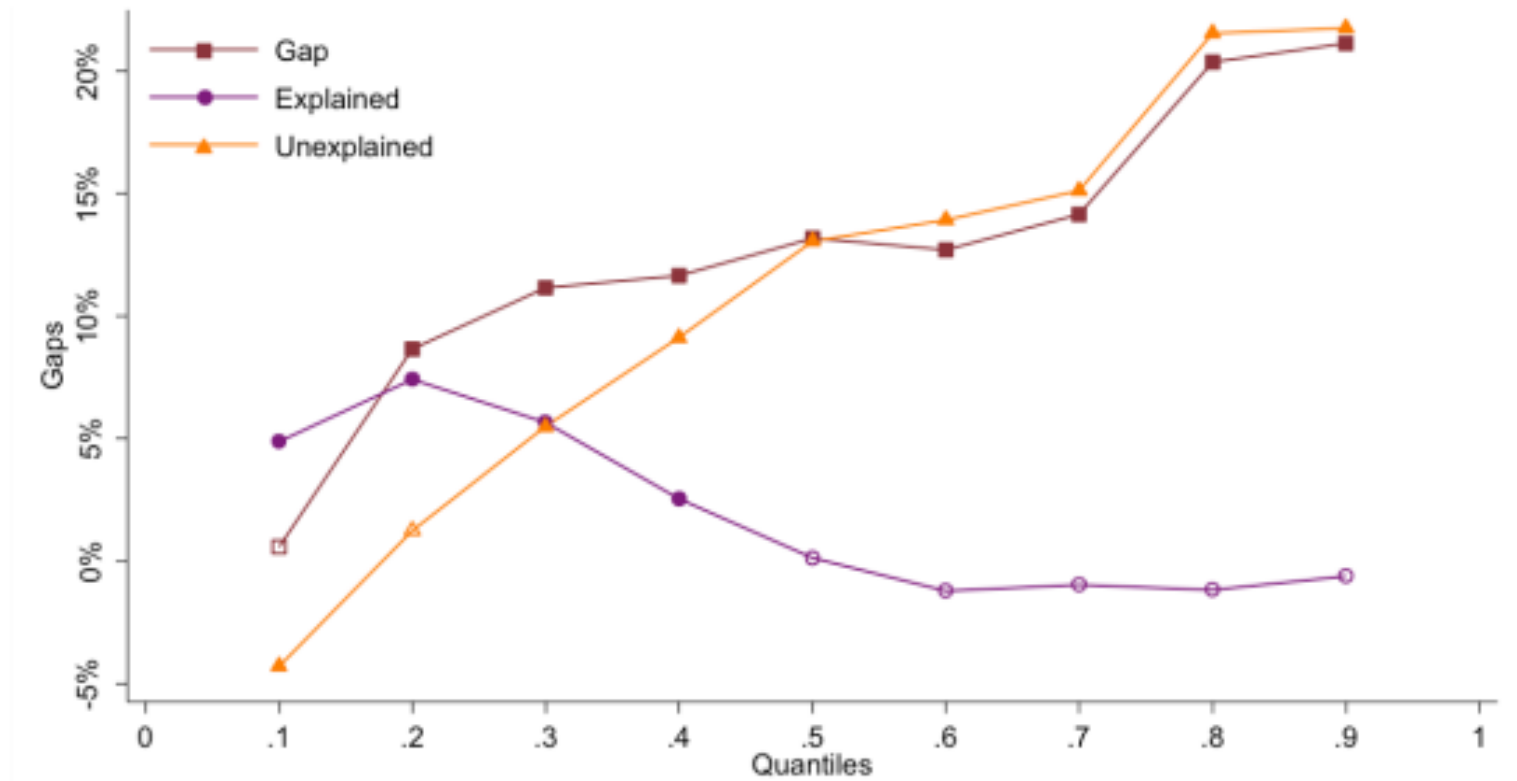
- Christofides et al (2013) finds unexplained = 74% in Denmark; 76% in Germany; 45% in the United Kingdom
- OECD finds figures ranging from 15% to 100%

Unexplained

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

Quantile regression

Figure 3: Gender pay gaps across wage distribution



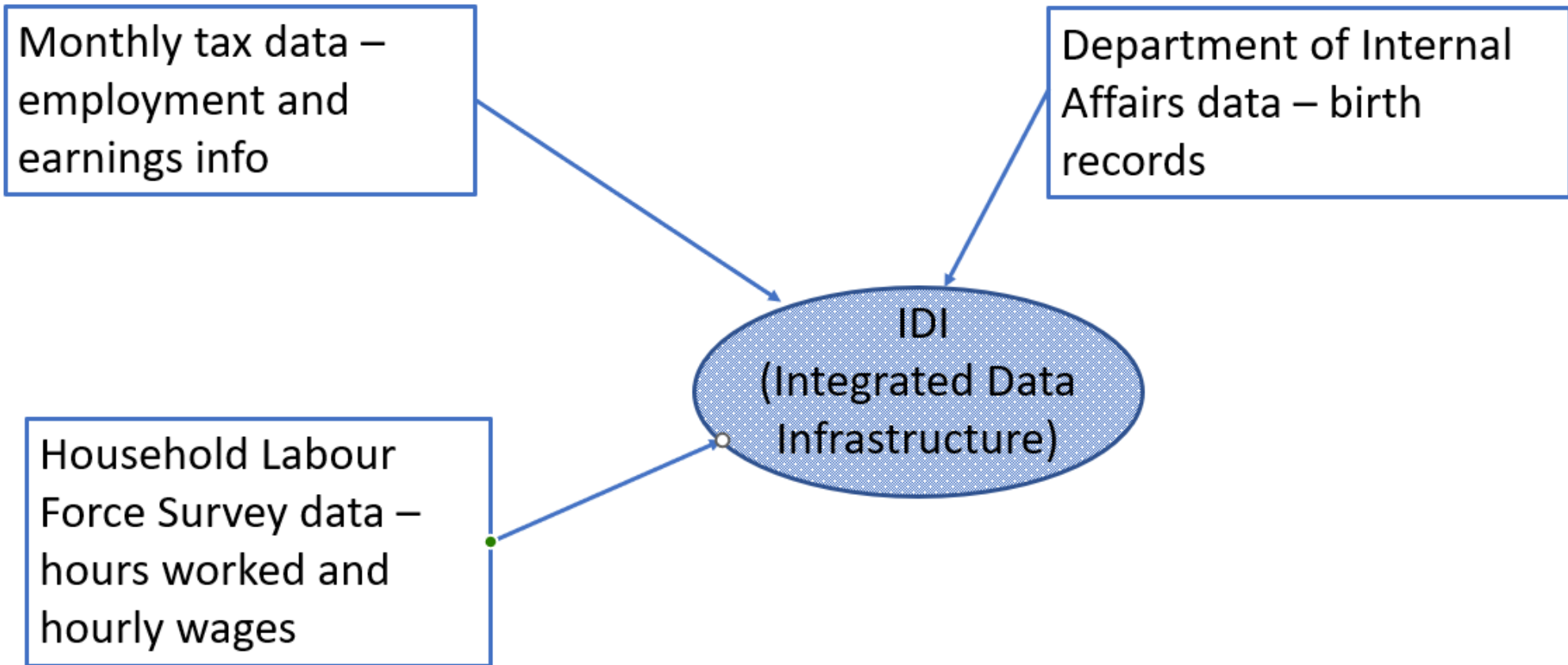
Note: Hollow markers indicate insignificant gaps at 10% significance level. Source: 2015 IS. Author's compilation.

- Strong evidence pointing to a glass ceiling effect in NZ

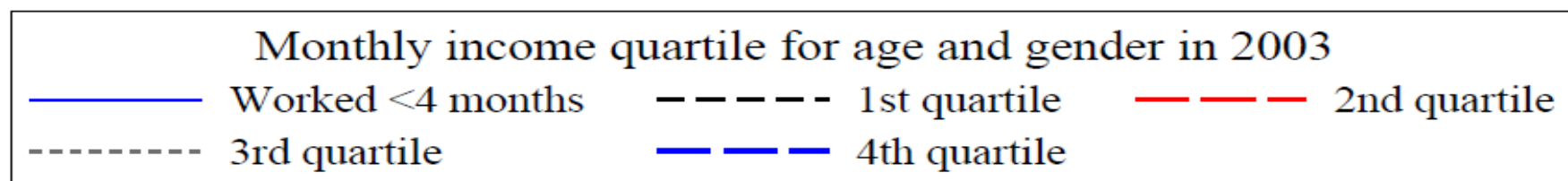
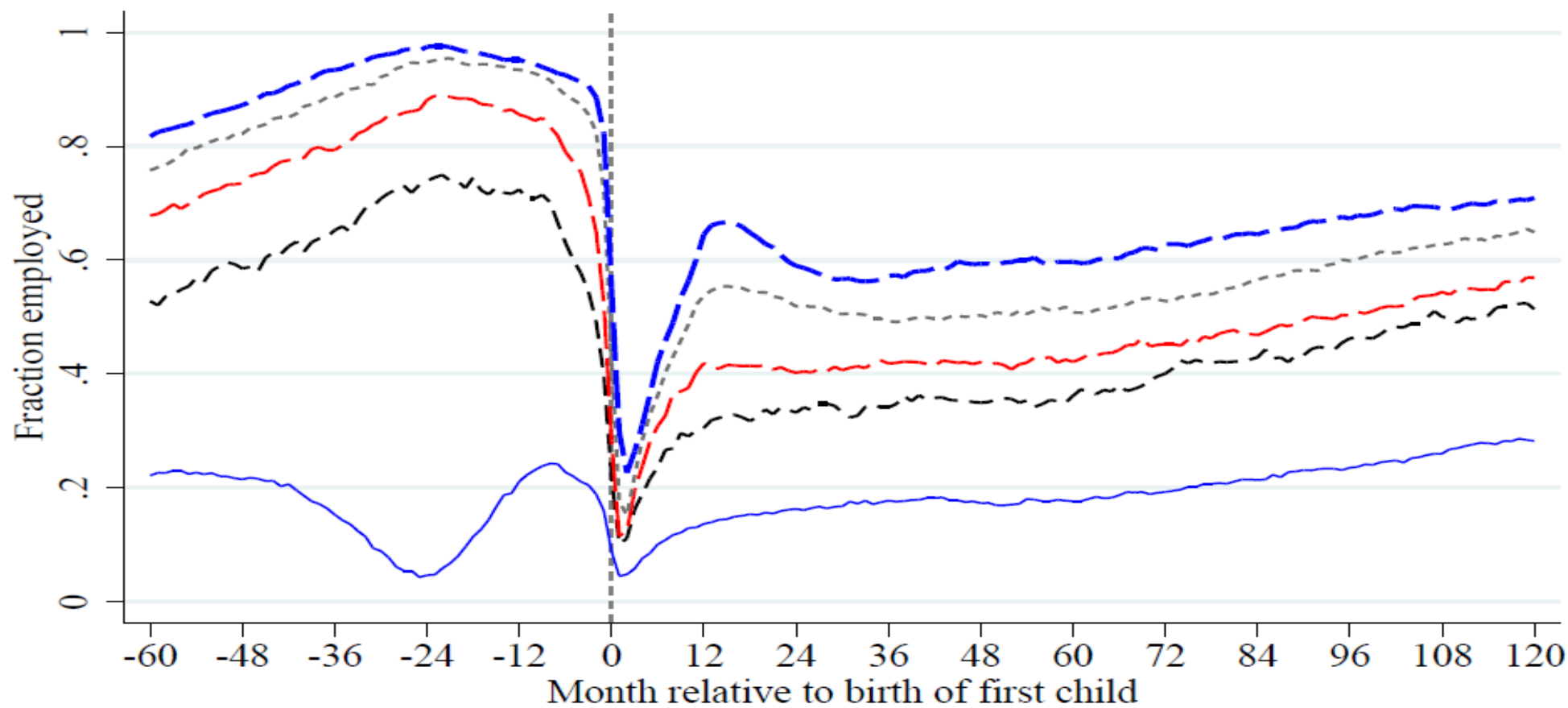
Parenthood and labour market outcomes

- 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 pre-parenthood income?
- How do these changes differ by time out of employment?

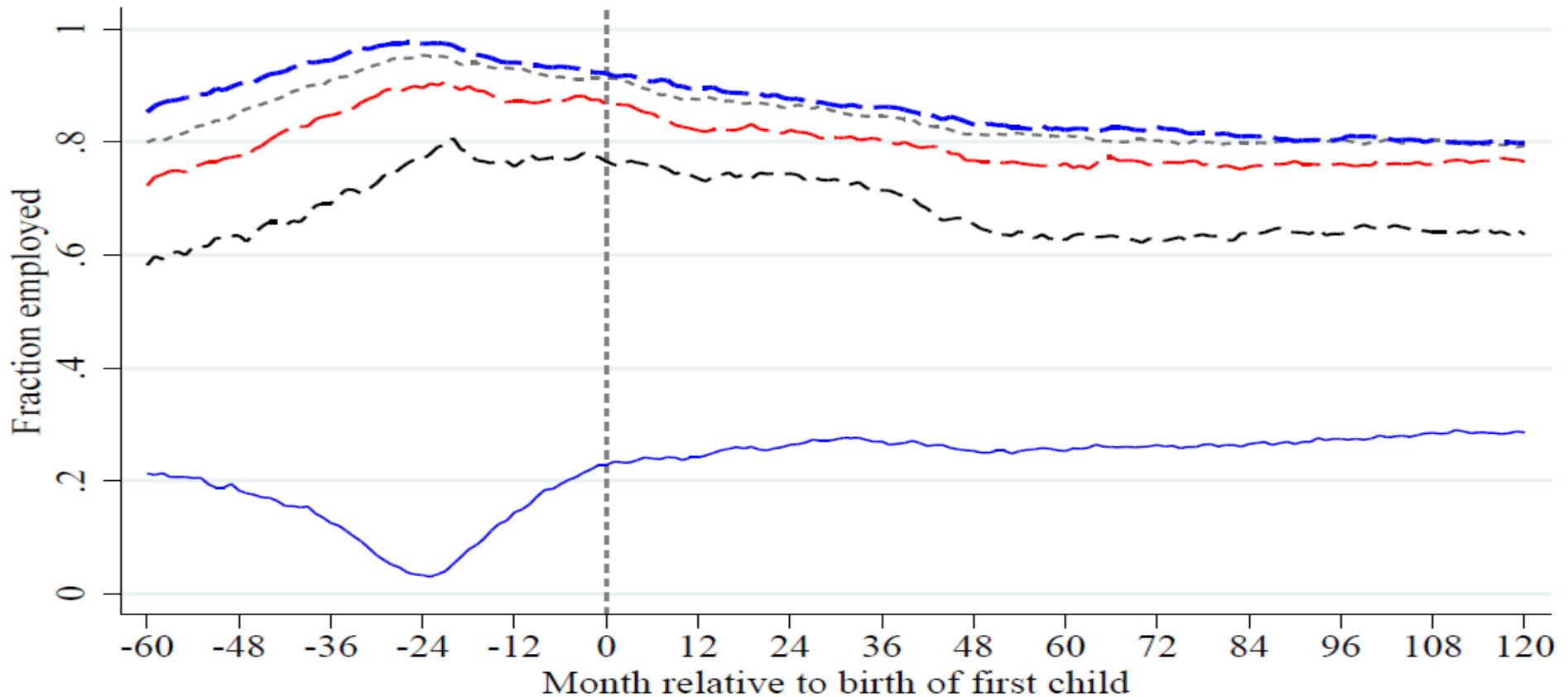
Data



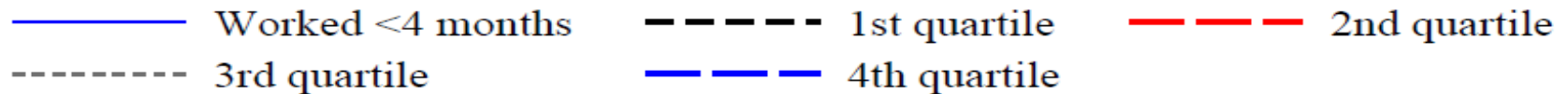
Mother's employment rates



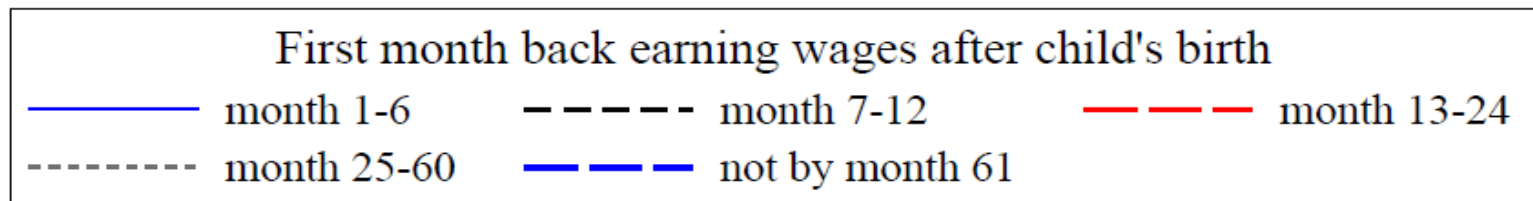
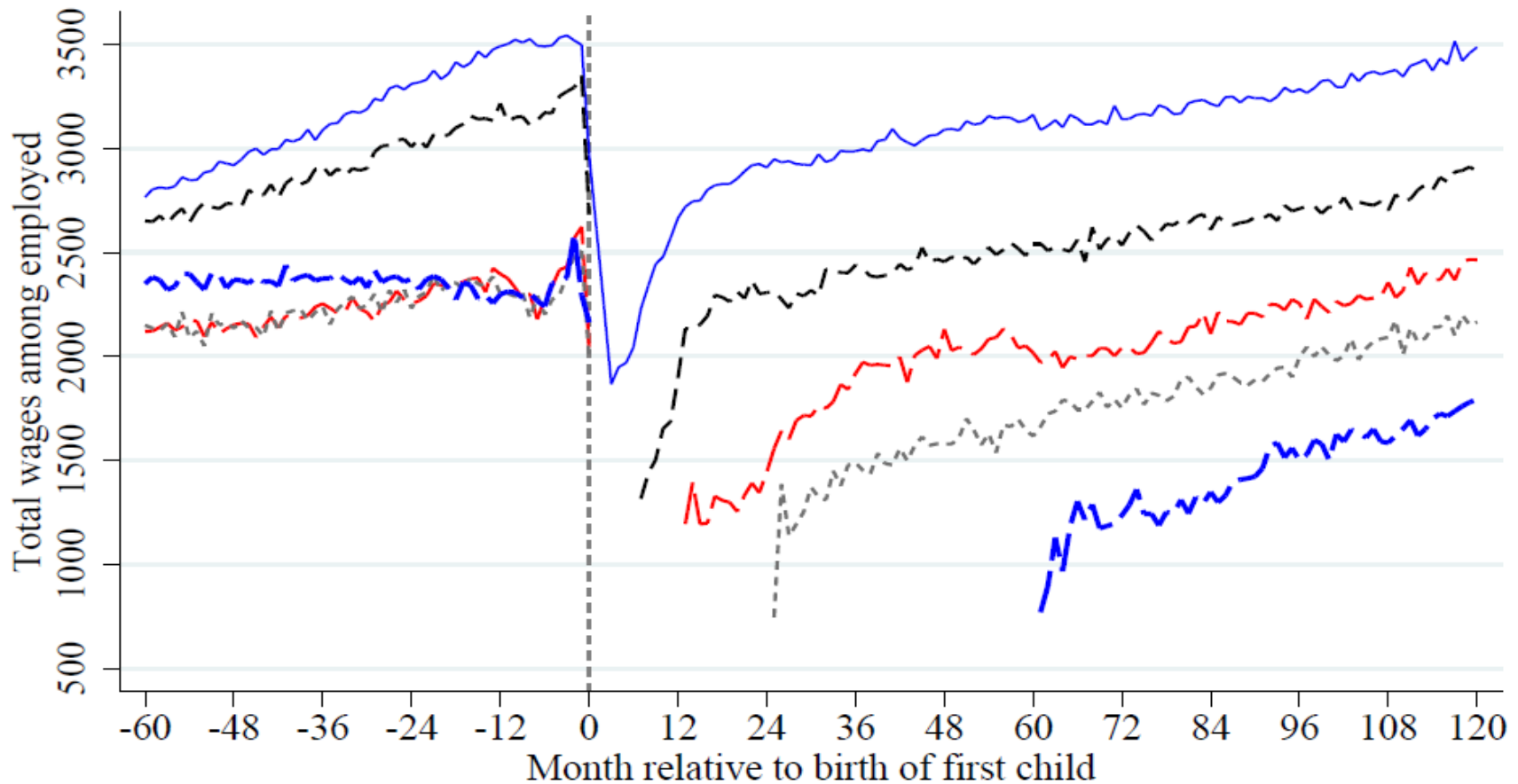
Father's employment rates



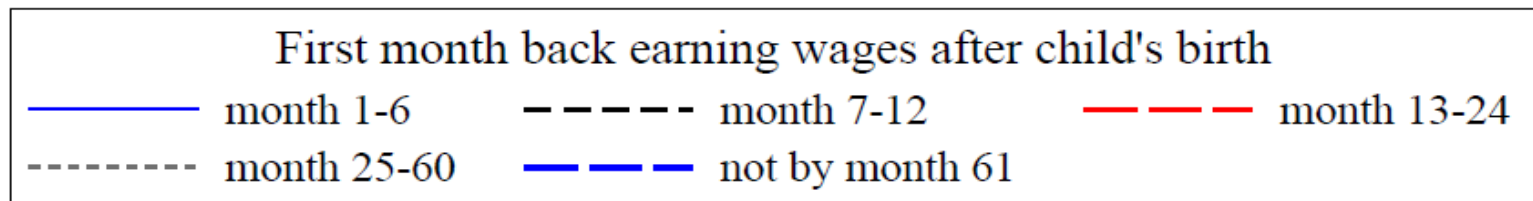
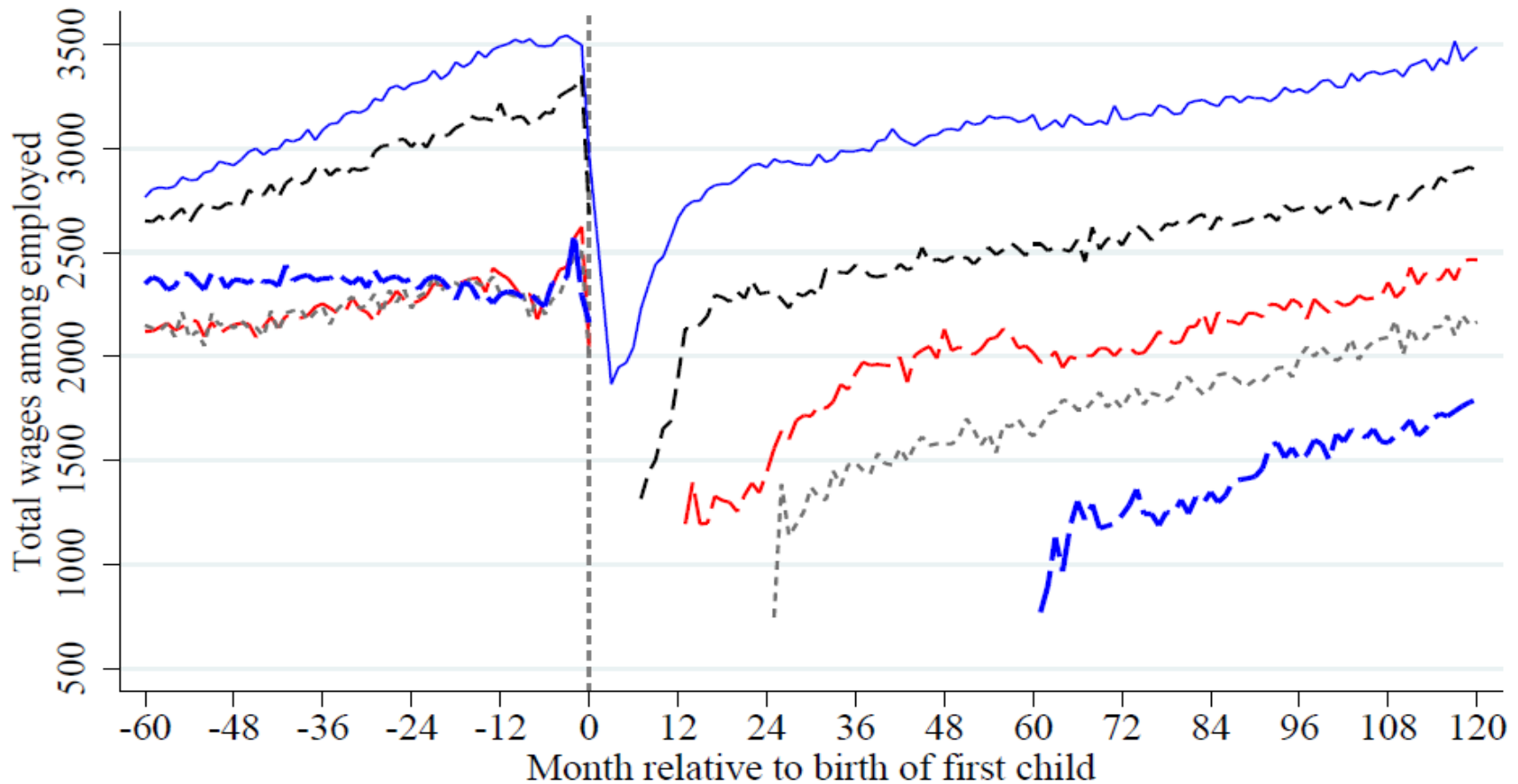
Monthly income quartile for age and gender in 2003



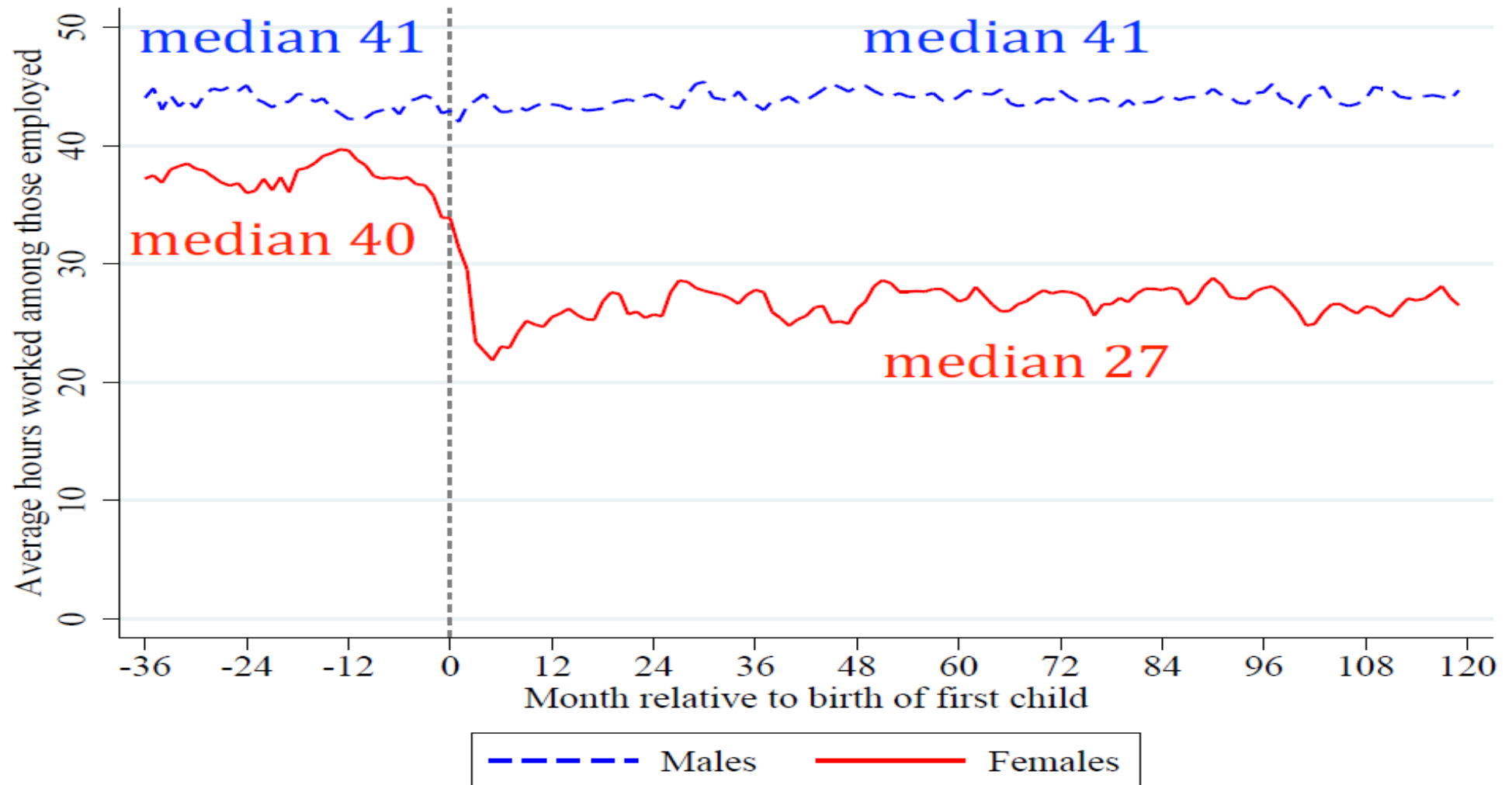
Mother's earnings by time out of work



Mother's earnings by time out of work



Hours worked if employed



Summary and policy options

- The IDI analyses illustrates that the gender pay gap increases with parenthood
- What policy measures can be adopted to lower employment barriers for mothers? (to discuss)

Summary and policy options

- The IDI analyses illustrates that the gender pay gap increases with parenthood
- What policy measures can be adopted to lower employment barriers for mothers? (to discuss)

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



Pay transparency

- UK: March 2018, organisations with 250+ employees must report on their gender pay gap.
- Iceland: Jan 2018, organisations with 25+ workers must prove they pay men and women equally for equal work.
- 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.

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 – one of the recommendations in their Pacific pay gap inquiry

Monitoring and reporting

Resource a government agency to provide support to employers to improve the quality of reporting and follow-up action plans. Work to ensure that reporting processes are followed by actionable, tailored, and enforceable plans to address pay gaps that are found.

Require mandatory annual reporting related to the delivery of employment services that provides information on levels of engagement with key services, including dispute resolution and mediation, disaggregated by gender and ethnicity.

Mandate Te Kawa Mataaho | Public Service Commission to report on systemic trends and make recommendations for action from the annual reporting of public service agencies on their ethnic and gender pay gaps.

Extend current public service requirements to report on ethnic and gender pay gaps to the wider public service.

Pay transparency – in NZ

- Report produced by the Education and Workforce committee on pay transparency
- Ministry for Women & Ministry of Business, Innovation and Employment have begun planning a work programme – they are considering a range of mechanisms such as:
 - Information and education initiatives
 - Employing the IDI to enable data insights for workplaces
 - Formation of an advisory group (National Advisory Council on the Employment of Women)

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

Thank you

➤ Professor Gail Pacheco (gail.pacheco@aut.ac.nz)

Resources:

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