

Fact Sheet

National Centre for Social and Economic Modelling (NATSEM); *The Impact of a Sustained Gender Pay Gap on the Economy,* 2010.

The impact of a sustained gender wage gap on the Australian economy is a report of research conducted by the National Centre for Social and Economic Modelling of the University of Canberra.

The research was commissioned for the Australian Government by the Office for Women.

The research had two main aims:

- to look at the determinants of the gender pay gap
- to quantify the costs of gender pay gap to the economy

Determinants of the gender pay gap

NATSEM found these key reasons for the gender pay gap:

- being a woman (60%)
- industrial segregation (25%)
- labour force history (7%)
- under-representation of women with qualifications (5%)
- under-representation of women in large firms (3%)

NATSEM found that 'being a woman' was the single largest reason for the pay gap (60%). This is consistent with results for other Australian studies which highlight the considerable impact that being a woman has on wages. 'Being a woman' could include complicated factors such as women's choices of careers, jobs and work hours, consideration of caring responsibilities, women's work motivations, bargaining power and appetite for risk, as well as discrimination against women that occurs in the workplace.

Costs of the gender pay gap to the economy

NATSEM estimates that the 17 per cent pay gap between men and women workers costs the Australian economy \$93 billion each year. This equates to 8.5% of GDP.

The gap impacts negatively on women's labour force participation. That is, women earning less than men, acts as a disincentive for women to enter paid work or to work more hours.

NATSEM estimates that the Australian economy would grow by 0.5% of GDP - \$5.5 billion or \$260 per person - if the gender wage gap was reduced by only one per cent.

NATSEM found that removing the effects of being a woman from the wage gap would increase the average wage of an Australian woman by \$1.87 per hour or \$3,394 annually. If this element alone were eliminated, ignoring all the other complicated reasons for the wage gap, NATSEM suggests that Australia could add \$56 billion or 5.1 per cent to total annual GDP.

This research supports the conclusion that the gender pay gap creates work disincentives for women: women have a reduced incentive to work or work more because they earn less than men.

The research finds that there are significant economic benefits to addressing the wage gap.

Few studies have sought to detail the impact of the gender wage gap on economic growth. This report is a valuable addition to the evidence-base on pay inequity.