

Good news and bad news for the women of Australia ^[1]

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EXCERPTS

First the good news: we've come a long way in reducing gender inequality in the workplace.

Back in the 1950s, only a third of women aged 25 to 60 had paid work – and many women were not allowed to work after marriage. Now, more than 60 per cent of women work – the highest share Australia has ever achieved.

This advance did not happen by accident. Many policy changes have helped.

In the 1970s, for example, a million women in Australia became eligible for equal pay. An equal minimum wage was legislated, removing the extra "breadwinner" component that men used to get. Paid maternity leave became available to Commonwealth employees. And the government started investing in childcare centres and working women's centres.

But now for the bad news: we've still got a long way to go in reducing gender inequality in the workplace.

A new Grattan Institute report shows that the median-income bachelor-degree female graduate in Australia earns 27 per cent less than the median-income bachelor-degree male graduate over their career. That's \$750,000 less for the woman over her lifetime.

How can this be? There are two main reasons. First, women in Australia today still generally have a lower hourly rate of pay than men. Among full-time employees in non-managerial jobs, women earn about 11 per cent less than men per hour.

But the main reason for the earnings gap is not that women are getting paid less for every hour of work – although generally they are. No, the main reason is that women work fewer hours than men – especially women with children.

By their early 30s, two-thirds of women in Australia have at least one child. But only one in five of those women work full time. By contrast, four in five men in Australia in their early 30s work full time. Some mothers return to full-time work, but their share in the workforce remains much smaller than men's share.

This has a double-whammy effect on women's careers. During the years that they work fewer hours, women take home less pay. And this has a long-term effect: because women spend fewer hours working, they have less experience and are therefore less likely to win pay rises and job promotions.

It's a vicious cycle. The lower pay reduces the incentive to return to work, especially given the high cost of childcare. And this in turn means women with children accumulate less experience and gain fewer promotions.

This phenomenon is by no means unique to Australia. It applies even in Scandinavian countries. In Denmark, for example, the cost of having children accounts for about four-fifths of the gender pay gap.

But the Grattan Institute report shows that recent policy changes to support working mothers in Australia are succeeding.

Paid maternity leave has become more widely available, from both employers and the government through the paid parental leave scheme. And instead of quitting the workforce when they become mothers, more women are choosing to stay employed and take maternity leave. Women who take maternity leave are much more likely to return to work than those who quit the labour force. Improved childcare policies introduced in 2008 also made it easier for mothers to work. Our research shows the policies are having the desired effect: more young mothers are now in full-time paid work.

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