

MEMO

To: Hon Julie Anne Genter
From: Sean Molloy, Principal Policy Analyst
Date: 1 May 2018
Subject: Further information on the gender pay gap and pay equity
Priority: Routine

Purpose

1. You have requested information on:

- what factors are impacting on fluctuations in the national gender pay gap, with particular reference to the reduction from 12 percent in 2016 to 9.4 percent in 2017
- what are the differences between how the State Services Commission (SSC) and Stats NZ measure the gender pay gap (GPG) and why
- the timeframes for the next Household Labour Force Survey releases and Human Resource Capability data releases
- whether we have any information on how much pay equity affects the gender pay gap.

Information on the gender pay gap

What factors are impacting on fluctuations in the gender pay gap

2. We have attached a December 2017 paper (MW 17-18 0141) that describes what factors affect the GPG beyond sampling error. The GPG is affected by changes in labour market composition such as:
- wage increases for women exceeding wage increases for men (desired)
 - cohort effects such as the retirement of less-qualified older women and the increasing share of well-educated women in the labour market
 - less desirable changes, such as employment shocks leading to low wage female workers losing jobs. For example, automation replacing women's jobs.
3. The Ministry's view is that the reduction in the GPG from 12 percent in 2016 to 9.4 percent in 2017 was more substantive than could be attributed to sampling errors/differences only. It was due to increases in wages for women, particularly in low wage jobs. There were cohort movements into new higher paying jobs. Men did not make the same gains and their new jobs paid less.

What are the differences between how SSC and Stats NZ measure the GPG and why

4. SSC uses the average salary (annual) of men and women to calculate the public service GPG, while Stats NZ calculates the national GPG using the median hourly earnings of men and women.
5. Using averages tends to result in higher results as average measures are more affected by the small number of people on high salaries, and these people are more likely to be men. SSC considers this is a more complete reflection of the GPG.
6. Stats NZ uses the median measure, which gives a lower GPG, as it is less influenced by the small number of high paid earners. Stats NZ considers this to better reflect the GPG between typical male and typical female employees, particularly as it is using data from a sample of New Zealanders to generate a national figure.
7. The Ministry considers each method of calculating GPGs is useful as each provides slightly different information. The guidance we are developing for employers with Stats NZ and SSC on how to calculate their own GPGs suggests employers use medians as the main measure. However, we will also advise they calculate the GPG using averages, so they can see whether a concentration of high earning men is a significant driver of their gap.
8. When the public service GPG is calculated using a median it is nearly the same as the national GPG. Last year the public service GPG, calculated using an average, was 12.5 percent. When calculated using a median it was only 9.7 percent, compared to 9.4 percent for the national GPG.
9. Stats NZ and SSC are discussing a better alignment between their methods of calculating GPGs to reduce confusion.

The timeframes for the next Household Labour Force Survey releases and Human Resource Capability Survey releases

10. Labour market statistics for the March 2018 quarter (including Household Labour Force Survey data) will be released on 2 May 2018.
11. The national GPG, however, is drawn from the Labour Market Statistics for the June 2018 quarter, which collects additional information on hourly pay. The national GPG is scheduled to be released 15 August 2018.
12. The Human Resources Capability Survey is generally released in November. The date of the 2018 release will be determined closer to that time.

Any information on how much pay equity affects the gender pay gap

13. The Ministry's view is that addressing pay equity will contribute to closing the GPG, however we are unable to precisely estimate the effect. The 2017 GPG research led by Prof. Gail Pacheco could not test for the effect of undervaluation of female-dominated occupations which can derive from historical or current gender discrimination (pay equity). We note that pay equity will not affect other key drivers of the gender pay gap such as the career progression of women into higher paid roles.

14. We have provided more advice about potential economic modelling of the impact of pay equity on the gender pay gap in a recent memo dated 10 April 2018 (MW 17-18 0328).

Contact for telephone discussion (if required)

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Section 9 (2)(a)