PwC Women In Work Index

Closing the gender pay gap

Australian edition

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Contents

PwC Women in Work Index

The potential $2 trillion prize from closing the gender pay gap

Foreword

This year's update of the Women in Work Index shows that the OECD has continued its gradual progress towards greater female economic empowerment. The Nordic countries, particularly **Iceland, Sweden and Norway, continue to occupy the top positions on the Index with New Zealand just behind them**. But many other countries still lag well behind.

Australia's position dropped again, moving from 15th to 16th position, largely driven by our entrenched gender pay gap and high part-time female employment rate.

The gender pay gap takes centre stage in this year's edition. In this day and age, it seems unconscionable that women are still paid relatively less than men. **Inequality starts at a young age**: a UK survey by Halifax shows that boys get 13% more pocket money than girls. Today the average working woman in the OECD still earns 16% less than her male counterpart, despite becoming better qualified.

We also take an illustrative look at how long it could take for the gap to close at current rates of progress. A simple extrapolation of historic trends suggests that **the gender pay gap in Australia has not changed significantly enough to demonstrate any likely improvement in the future without further intervention of some kind,** meaning that we are never going to achieve pay parity with our current workplace structures and policy settings. While some countries are on track to close the pay gap, Australia is not one of them.

The gains from closing the gap are substantial: **achieving pay parity in the OECD could increase total female earnings by US$2 trillion**. We also estimate that **increasing female employment to match Sweden's could increase GDP across the OECD by almost US$6 trillion.**

There is much more that businesses and governments could do to address the causes of the pay gap, which are deep-rooted. Policy levers that improve access to affordable childcare and shared parental leave have been shown to get more women in work. Businesses can also make flexible opportunities more widely available, enabling their employees to manage their family commitments around work.

The starting point is for organisations to understand if they have a gender pay gap, and then take steps to address it. Currently the number of Australian organisations undertaking that analysis is low, and it is not a high priority for leadership teams or government.

Please do get in touch to discuss how we can help your organisation address these issues.

Susan Price
Director, People & Organisation

Jon Williams
Global head of People & Organisation

Fully closing the gender pay gap across the OECD could increase female earnings by $2 trillion

The Nordic countries occupy the top 3 positions on the Women in Work Index

2nd Sweden

1st Iceland

3rd Norway

$6 trillion

Boost to OECD GDP from increasing female employment rates to match Sweden's

16th Australia fell to 16th place this year

OECD gender pay gap

16%

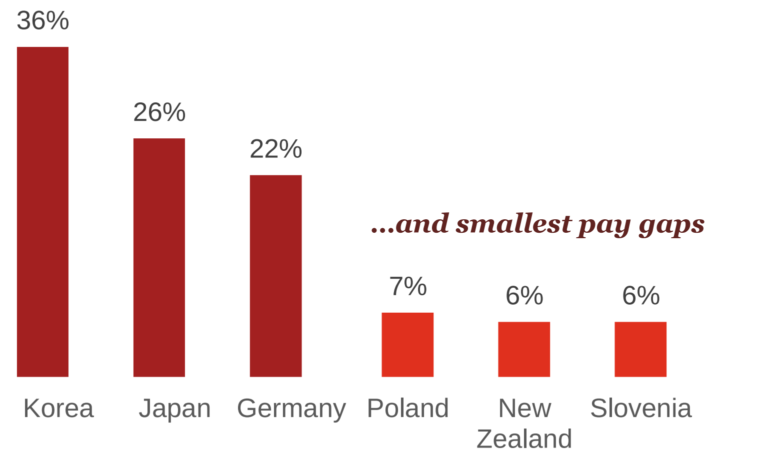
OECD average time to close the pay gap at current rates of progress

95 *years*

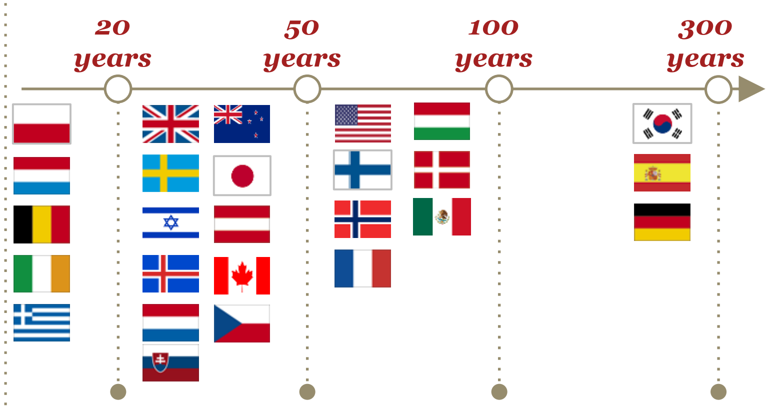
Boost to OECD female earnings from closing the gender pay gap

$2 trillion

Countries with the largest...

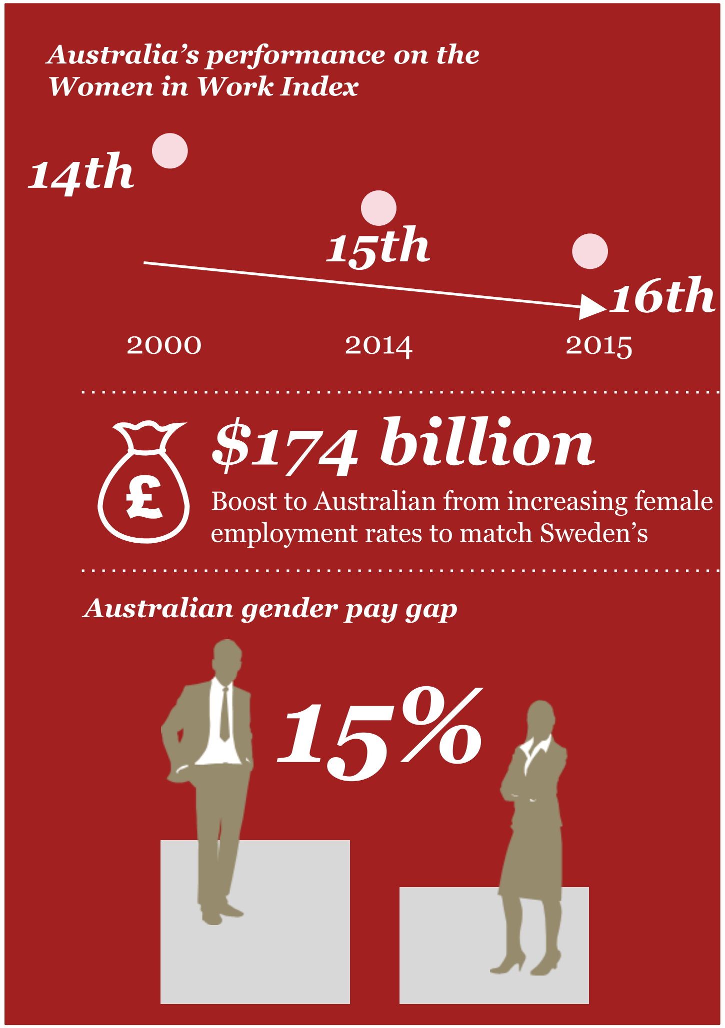


If historic trends continue, the pay gap would close...



Source: PwC analysis, OECD, Eurostat.

Fully closing the gender pay gap in Australia could increase female earnings by $69 billion

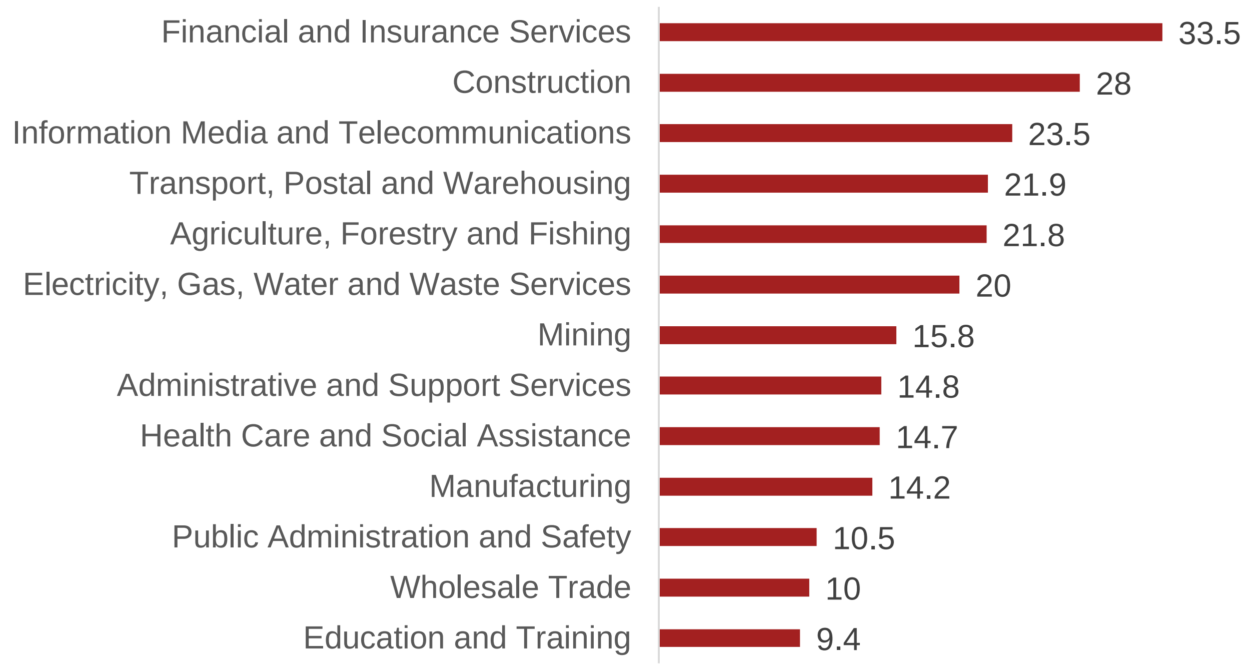


Source: PwC analysis, OECD, Eurostat.

$69 billion
Boost to Australian female earnings

$13,152 per woman
from closing the gender pay gap

The financial services sector has the largest pay gap across industry sectors



Source: WGEA 2016 Scorecard, based on total remuneration gap

Executive summary– Key results

1

PwC Women in Work Index

Key findings from our analysis

The fifth update of the Women in Work Index provides our assessment of female economic empowerment across 33 OECD countries. The index is a weighted average of five indicators that reflect female participation in the labour market and equality in the workplace (see Annex for more details of the methodology).

In this edition, we have made slight revisions to our previous methodology: the OECD has been used as the source for gender pay gap data for the UK where previously Eurostat data has been used. Past analysis of the WIW Index has been updated to reflect this change in methodology for consistency, although the impact on country rankings is not significant.

Country rankings and trends

- Iceland, Sweden and Norway remain the top 3 performing OECD countries.
- Half of the countries on the Index continue to hold their positions. Poland stands out for achieving the largest annual improvement, rising from 12th to 9th due to fall in female unemployment and an increase in the full-time employment rate. The Slovak and Czech Republics have also achieved notable improvements on their Index scores.
- Over the longer term there have been more significant movements in country rankings. Israel and Poland stand out for improving by more than 10 positions since 2000, while the US and Portugal have lost ground.

Potential long-term economic gains

- Our analysis shows significant economic benefits in the long-term from increasing the female employment rate to match that of Sweden. The GDP gains across the OECD could be around US$6 trillion.
- Across the OECD, fully closing the gender pay gap could increase total female earnings by US$2 trillion.

Australian performance

- Australia slipped another spot in the rankings, falling from 15th to 16th position in 2015. This is largely due to the entrenched gender pay gap and low rate of female full-time employment, the third lowest in the OECD.
- At the regional level, our analysis shows that New Zealand continues to place much higher than Australia, ranking 4th behind the Scandinavian countries. This is largely due to a much lower gender pay gap, and it would be worthwhile examining why that is in two otherwise similar countries.
- There is no time frame for closing the gender pay gap in Australia given the trends shown in the data, a disappointing but not surprising result.

Closing the gender pay gap

- We take an illustrative look at the time it could take for the gender pay gap to close, by using a simple extrapolation of historical trends in different countries.
- Some countries, such as Poland, Luxembourg and Belgium, could see the gap fully close within two decades if historical trends continue.
- Much slower progress historically in Germany and Spain means that their gap might not close for over two centuries unless underlying structural factors are addressed to change trends in future.

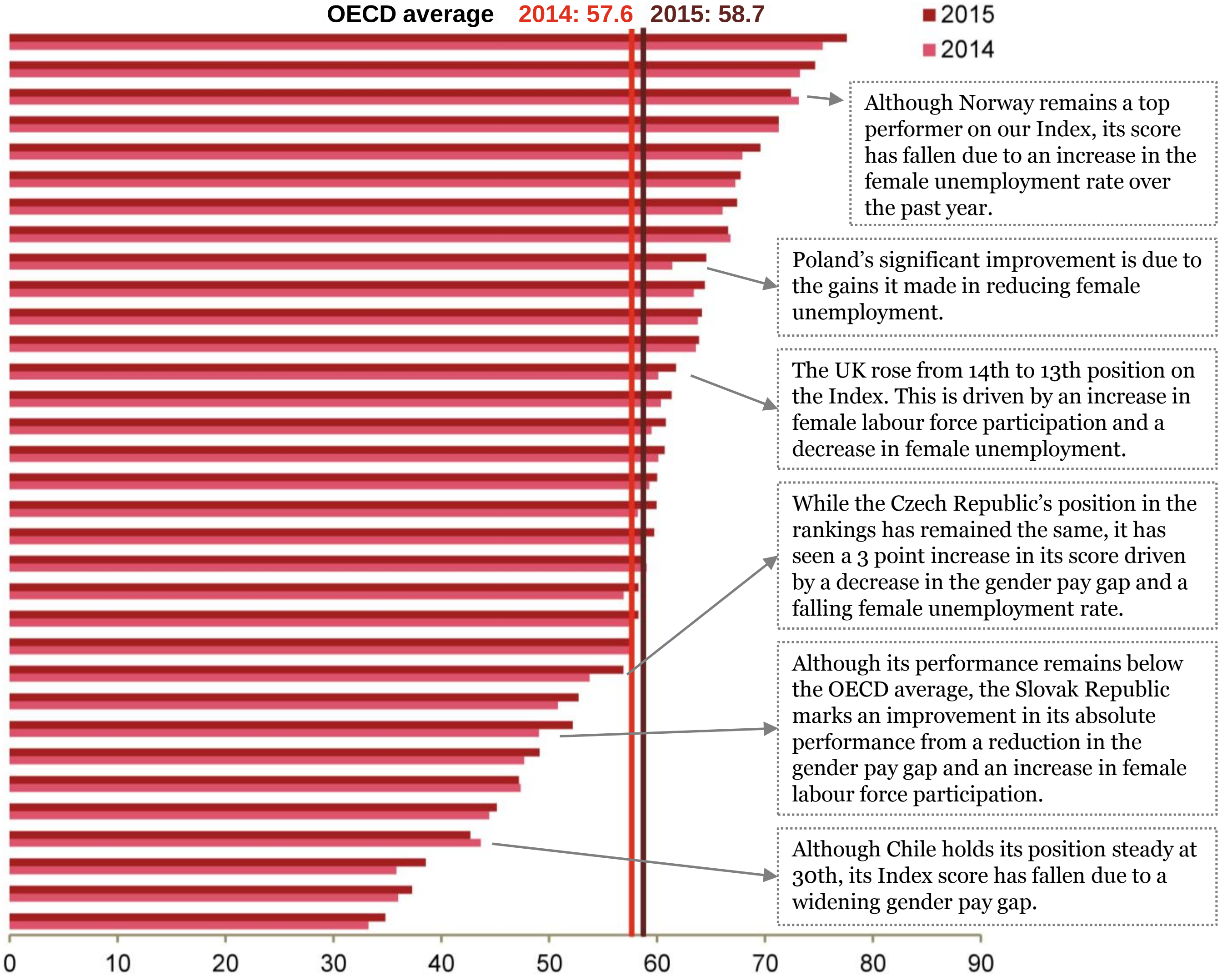
Policy and business implications

- Australia's model of full-time male worker and part-time female worker is limiting its performance and demonstrates an under-utilisation of female talent.
- Australia also has a high rate of gender segregation across industries – "glass walls" as well as "glass ceilings". This is a major factor influencing the pay gap.
- There is much more that businesses and governments can do to help in closing the gender pay gap and to fully harness female talent. Potential policies to support both parents to share caring responsibilities, including improving access to affordable and quality childcare, as well as introducing stronger incentives to encourage take-up of parental leave by men should be considered.
- Businesses should ensure that all employees are fairly remunerated and support women's career advancement to develop a pipeline of female leaders. Promoting flexible working options for both men and women is also an opportunity for businesses to fully leverage the talent of its female employees and break down traditional models of bread-winner/carer.
- Organisations should also be looking carefully at their gender pay data, and undertaking regular audits. WGEA data shows that only 27% of reporting organisations did a gender pay gap analysis in the last year. If nothing changes, government may need to consider mandatory pay reporting, as has been introduced in the UK.

The OECD has seen a small improvement overall in its performance on female economic empowerment

Figure 1: PwC Women in Work Index, 2015 vs. 2014

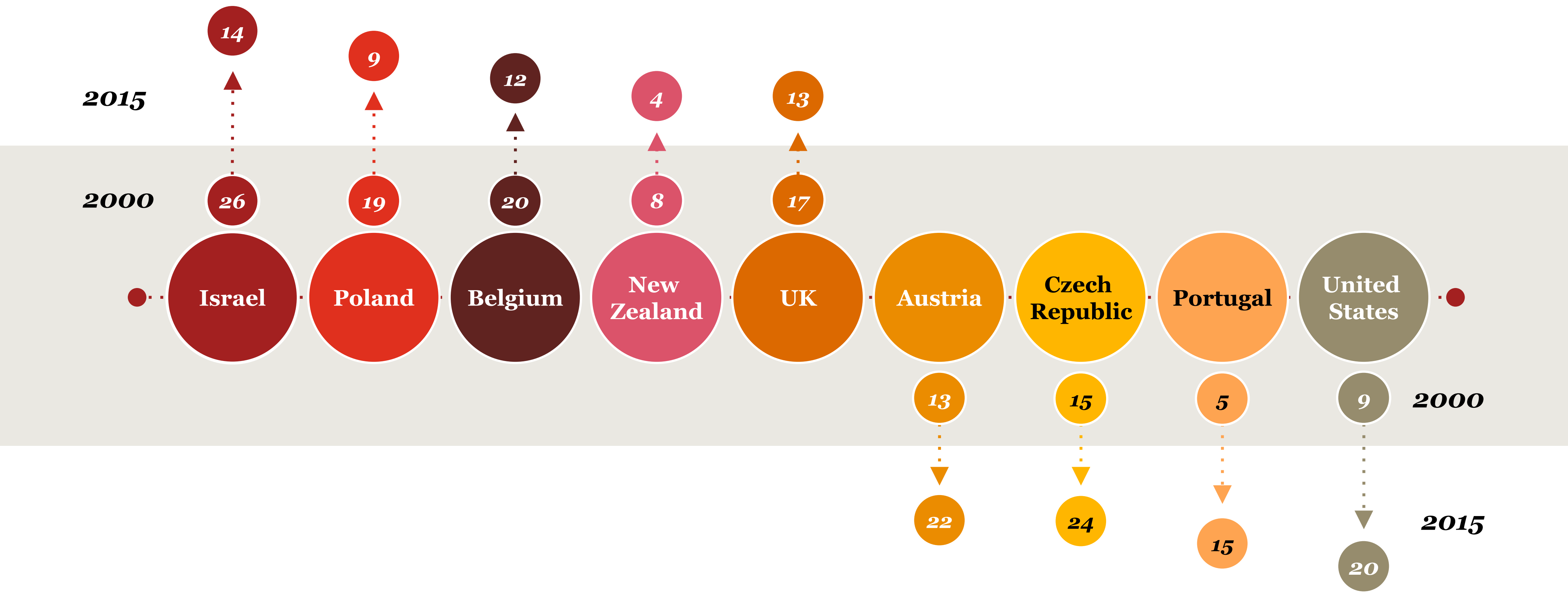
Rank (2014)		Rank (2015)	
1	=	1	Iceland
2	=	2	Sweden
3	=	3	Norway
4	=	4	New Zealand
5	=	5	Slovenia
6	=	6	Denmark
8	↑	7	Luxembourg
7	↓	8	Finland
12	↑	9	Poland
11	↑	10	Switzerland
9	↓	11	Canada
10	↓	12	Belgium
14	↑	13	United Kingdom
13	↓	14	Israel
16	↑	15	Portugal
15	↓	16	Australia
17	=	17	France
20	↑	18	Hungary
19	=	19	Germany
18	↓	20	United States
23	↑	21	Estonia
22	=	22	Austria
21	↓	23	Netherlands
24	=	24	Czech Republic
25	=	25	Ireland
26	=	26	Slovak Republic
27	=	27	Japan
28	=	28	Italy
29	=	29	Spain
30	=	30	Chile
32	↑	31	Greece
31	↓	32	Korea
33	=	33	Mexico



Source: PwC analysis using data from OECD and Eurostat.

Israel has seen the most significant positive movement in its rank over the long-term, while the US has seen the largest negative movement

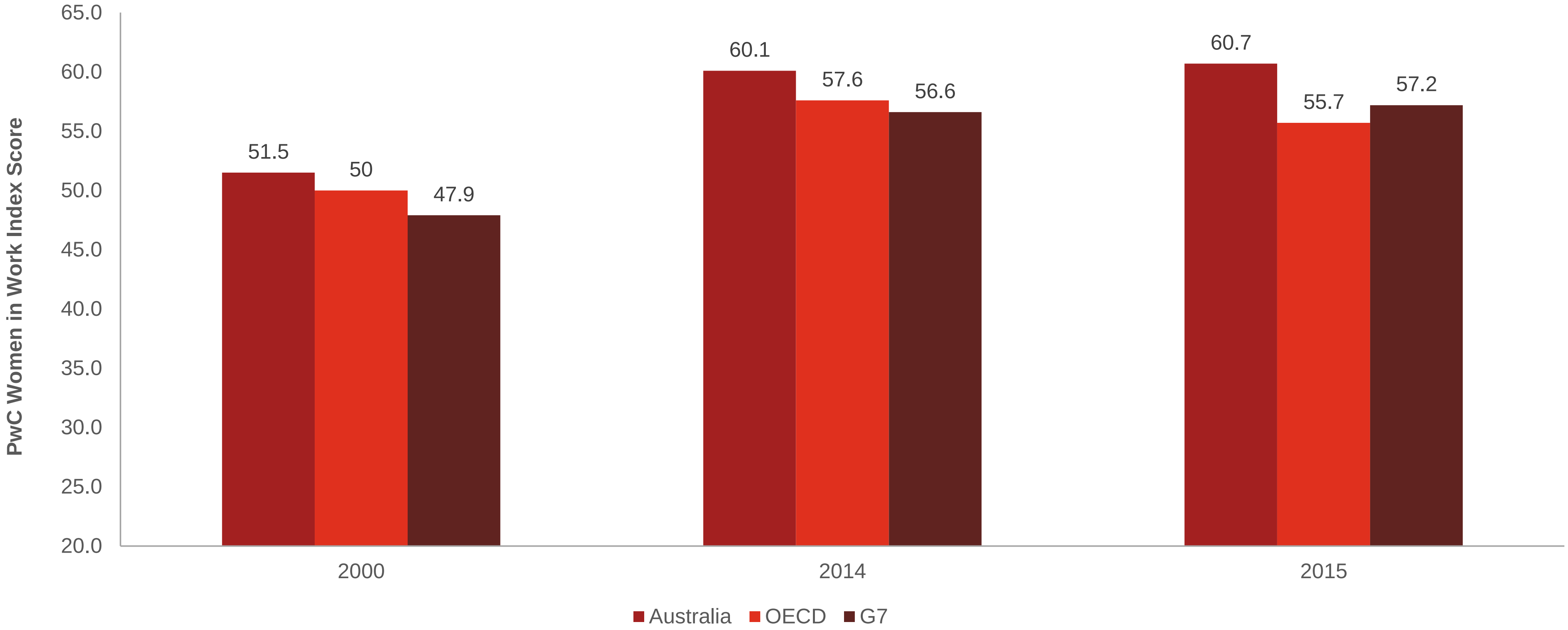
Figure 2: Biggest movers in the PwC Women in Work Index ranking between 2000 and 2015



Australia's performance has consistently surpassed the average performance of both the OECD and the G7 economies, but is slowing

Australia has consistently performed well relative to the OECD and the G7 economies. Progress has slowed however, with other countries moving past us as they achieve more rapid improvement in their performance.

Figure 3: Comparison of Australia's performance against the G7 and OECD average



Source: PwC analysis, OECD, Eurostat.

2

Potential economic gains from getting more women into work and closing the pay gap

The gains from getting more women into work and closing the gender pay gap could be significant

How much are the gains from improving female employment?

- Our analysis provides estimates of the broad order of magnitude of potential gains for each country from increasing employment rates to match those of Sweden – a consistently top performer in our Index.
- The potential long-term economic gains across the OECD from an increase in women in work boosts GDP by almost US$6 trillion.
- The largest potential gains are likely to accrue to countries with relatively low female employment rates, such as Greece, Mexico and Italy. These countries could boost their GDP by close to 30% by increasing the rate of female employment to match that of Sweden's.
- The economic benefit to Australia from increasing the level of female employment to 74% could be in the order of 11% of GDP. Austria and Hungary could see gains of a similar magnitude.
- Countries that are already close to the frontier would see lower potential gains; this includes the other Nordic countries and Estonia.
- Iceland, whose performance is already above that of Sweden's, is excluded from Figure 4.

How much are the gains from closing the gender pay gap?

- The gains to female labour earnings from closing the gender pay gap could be in the order of US$2 trillion across the OECD.
- The largest gains in percentage terms could be found for countries with the largest gender pay gaps, notably Korea, Estonia and Japan. Closing the gap in these countries could increase female labour earnings by between one-third to one-half in these countries.
- The gains to Australia from closing the gender pay gap – which currently stands at 15% – could amount to approximately $69 billion.
- We assume that the counteracting effects of the wage and employment effects broadly cancel out, meaning that an increase in wages does not lead to a net employment effect. This takes into account the counteracting effects of labour supply and demand elasticities: an increase in wages makes it more expensive for employers to hire more workers, however higher earnings also incentivise potential workers to seek employment.

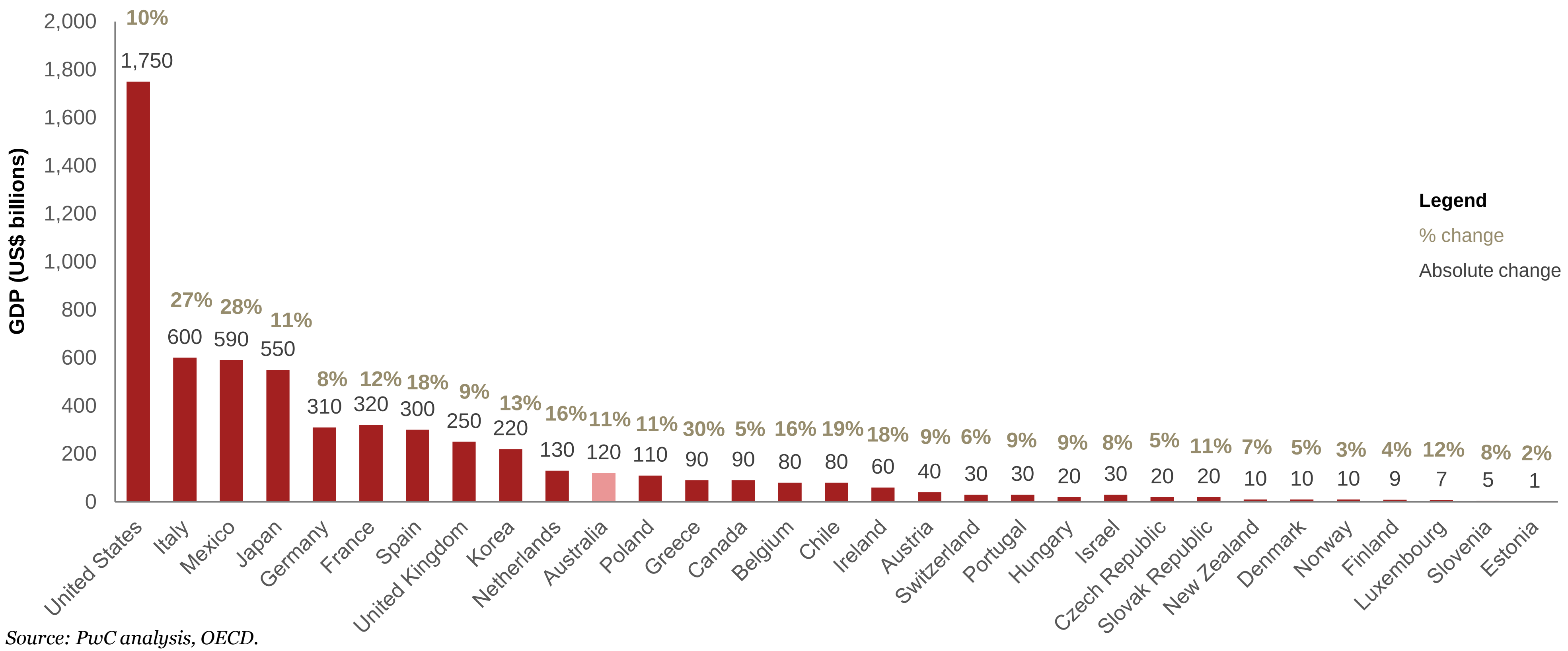
How long will it take to close the pay gap?

- We assess how long it could take for the gender pay gap to close based on a continuation of historic trends. These are not projections, but rather just illustrative estimates based on a simple extrapolation of historic trends.
- Countries that are close to the frontier or that are rapidly improving, may be able to realise the gains from closing the gender pay gap in the medium-term. Poland, Luxembourg and Belgium could close the gap in two decades, for example.
- Other lower performing countries may require more fundamental policy and cultural changes by businesses and government, which will require more time, perhaps decades or more, in order to fully realise the gains from closing the pay gap.
- Countries like Australia where there is no projected time frame need to consider what interventions will drive change, at a government or organisational level.
- The time frames do provide aspirational targets for OECD countries to achieve, and lessons can be learned from those who are at the forefront, like New Zealand.
- In the following section we explore the factors that drive the pay gap in more detail.

Increasing the number of women in work could increase GDP across the OECD by nearly US$6 trillion, an increase of 12%

We have estimated the potential GDP gains from increasing female employment rates across OECD countries to match Sweden's – which has one of the highest female employment rates within the OECD. In absolute terms, the US is expected to gain the most, as much as $1.8 trillion. Greece, Mexico and Italy stand to see the greatest increases in percentage terms. For Australia, the expected gain from increasing female employment is approximately $174 billion or 11% of 2015 GDP.

Figure 4: Potential GDP boost from increasing female employment rates to rates in Sweden, 2015

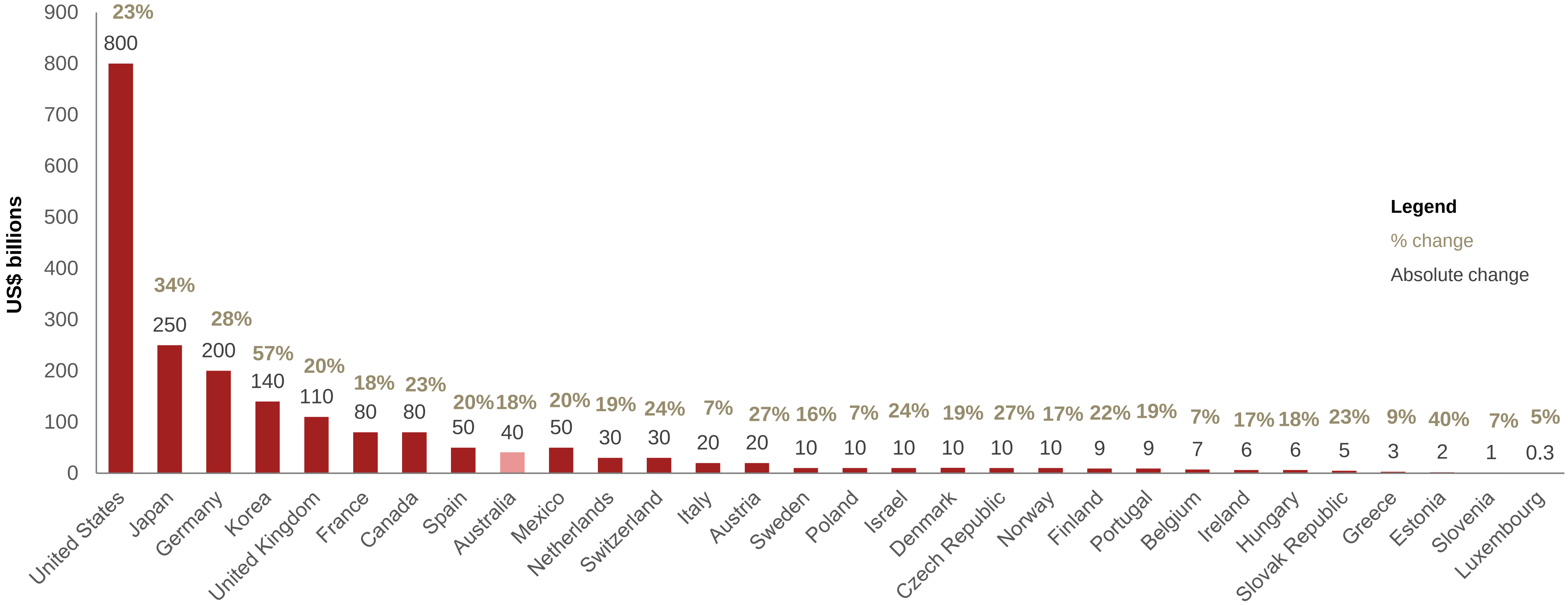


Source: PwC analysis, OECD.

Closing the gender pay gap could boost female earnings across the OECD by over US$2 trillion, an increase of 23%

Of the OECD countries, the United States is expected to gain the most in absolute terms from closing the gender pay gap by increasing the wages of female workers to those of male workers; the estimated increase in total female earnings in the US is around $810 billion. In percentage terms, Korea is expected to see the greatest percentage increase in female earnings ie 57%. Closing the gender pay gap in Australia would increase total female earnings by around $60 billion an increase of 18%.

Figure 5: Potential increase in total female earnings from closing the gender pay gap, 2015



Source: PwC analysis, OECD, Eurostat.

At current rates of progress, most OECD countries could close the pay gap within the next 50 years

Based on the current rate of convergence in the pay gap, we estimate how long it will take for the gender pay gap to close across the OECD. The gap in Poland, already at a low 7% and rapidly closing, could close within the next decade. Countries that have charted fairly rapid progress historically, such as Belgium and Luxembourg may see the gap close in under two decades. Much slower progress in Germany means that the gap may not close for over two centuries if historic trends continue (though there is clearly scope to accelerate this if it was a policy priority).

Figure 6: Time to close the gender pay gap

Within 20 years

Poland	2021
Luxembourg	2022
Belgium	2028
Ireland	2032
Greece	2033

Within 50 years

United Kingdom	2041
Sweden	2043
Israel	2046
Iceland	2051
Netherlands	2052
Slovak Republic	2053
New Zealand	2056
Japan	2058
Austria	2058
Canada	2062
Czech Republic	2065

Within 100 years

United States	2070
Finland	2071
Norway	2073
France	2084
Hungary	2102
Denmark	2108
Mexico	2115

Within 300 years

Korea	2118
Spain	2230
Germany	2297
Australia	?

Source: PwC analysis, OECD, Eurostat.

Note: We have excluded other OECD countries, including Australia, where the historic data does not reveal a clear trend of convergence. The rate of current convergence has been estimated using a simple regression of the historical gender pay gap data for each country to produce a linear line of best fit. This has then been extrapolated to estimate how long it will take for the gap to close at current rates.

3

The gender pay gap in Australia

Effective policies and business action is required to help close the gender pay gap in Australia, which is driven by a range of factors including segregation in the labour market

What are the main factors behind the gender pay gap in Australia?

- **The gender pay gap in Australia remains significant, with female workers earning on average 15% less than men.**
- The evidence suggests that some of the factors that explain the gender pay gap in Australia are differences in work-life patterns between men and women, and the incidence of occupational segregation.
- **Differences in work-life patterns:** Women tend to spend more time out of the workforce than men in order to care for children or family members, meaning that they lose out on pay progression over the long-term. Studies suggest that the pay gap widens with the arrival of children. Australia also has one of the highest rates of female part-time employment, with that model being the way in which families accommodate caring responsibilities and work.
- **Incidence of occupational segregation:** Women are more likely to work in sectors and occupations that are lower-paying, partly because these offer greater job flexibility. These are often caring or service sectors, which traditionally have been lower paid and under-valued. 60.9% of employees work in an industry that is dominated by one gender.
- **Lack of women in senior leadership positions** is also significant, with women making up only 16.3% of CEOs and 28.5% of key management personal according to the WGEA data. 57.4% of manager –level appointments were awarded to men.
- **Lack of transparency in remuneration arrangements:** Many organisations do not routinely examine remuneration arrangements from a gender perspective, allowing discriminatory practices and unconscious bias to persist.

What are the policies to help address the pay gap?

- The gender pay gap matters, not only because inequalities between men and women are of interest in their own right, but also because this has serious implications for a woman's lifetime earnings and her ability to support her family and to save for retirement.
- Both policymakers and businesses play an important role in taking proactive action to address the root causes of the gender pay gap, eg reducing the amount of time women spend outside work, or supporting them in returning to work more effectively.
- Potential policies to help close the pay gap include **introducing provisions for shared parental leave and encouraging men to take on more caring responsibilities, and increasing the availability of affordable childcare**.
- Paid parental leave is important for both parents, allowing time out of the workforce to care for young children while still retaining a workforce attachment. Policies that encourage take-up of parental leave by men are particularly important, and the "use-it or lose-it" model of some Scandinavian countries is working to reduce gender inequity.
- Businesses can also support female employees via '**returnships**' and providing **opportunities for flexible and part-time working**, particularly at more senior levels for both men and women.
- Governments can also promote **pay transparency and gender pay reporting**, as has been introduced in the UK, with employers needing to publically report on gender pay statistics from April 2017.

Lessons from the UK - public policies that increase the availability of affordable childcare and drive social change to enable greater sharing of caring responsibilities can help narrow the gender pay gap

The gender pay gap matters, not only because inequalities between men and women are of interest in its own right, but also because the pay gap has serious implications for a woman's lifetime earnings and her ability to support her family and to save for retirement.

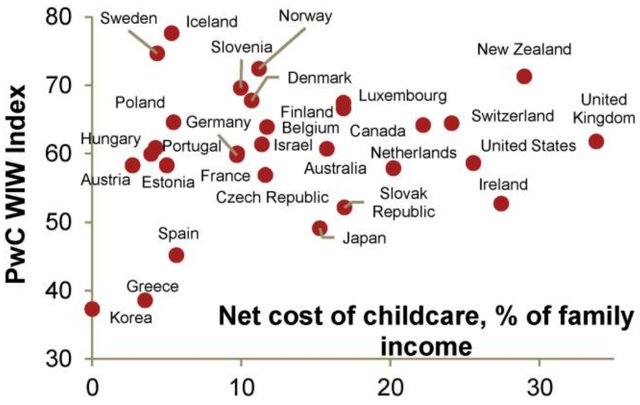
The UK has made some progress by introducing disclosure requirements for the pay gap, which comes into force in 2017; as well as shared parental leave.

However, it could go further by introducing policies or incentives that address the root causes of the pay gap in the UK.

Affordable childcare

- Another factor supporting women returning to work following motherhood is the availability of affordable and quality childcare.
- As our analysis shows, one of the key drivers of the gender pay gap is the differences in work-life patterns for men and women, which is exacerbated by the cost of childcare. As shown in Figure 7, childcare costs are positively correlated with the gender pay gap.
- Increasing the availability of affordable childcare could reduce the need for women to make the trade-off between work and childcare, thus enabling greater participation in the workforce.

Figure 7: Correlation between PwC WIW Index and childcare costs



Source: PwC analysis, OECD.

Shared parental leave

- Women who return to work following a career break to care for their families often face a 'motherhood penalty'; a systematic difference in pay for working mothers in comparison to women without children.
- One way of addressing this is by introducing policies which allow parents to share the burden of childcare. From April 2015, parents in the UK can share parental leave following the birth or adoption of a child.
- An increase in take-up of parental leave by the father is associated with an increase in the mother's earnings, as well as more equitable distribution of household tasks including childcare, which encourages female employment.
- However, the UK could go further by introducing "use-it-or-lose-it" quotas for fathers in order to encourage take up. Similar policies introduced in Sweden and Norway have increased male enrolment rates.

Businesses can help address the gender pay gap and improve their own pipeline of female leaders by providing greater support to women in developing their careers and rigorously reviewing remuneration data

The implications of the gender pay gap are also important to businesses. The pay gap is symptomatic of skills shortages faced by businesses and the lack of diversity in leadership pipelines. For example, the average female boardroom membership across the OECD was only 17%.

Businesses that take actions which help to tackle the root causes of the pay gap could benefit from an increase in the pool of talent that they can access and greater diversity, as well as improving employee retention and engagement.

Supporting women returning to work post-motherhood

- Many women intend to return to the workforce after having children. However, they face the stigma associated with having a CV gap, which contributes to the incidence of occupational downgrading. A study in the US found that managers prefer to hire a less qualified candidate over one who has been out of work for more than six months as they assume that a career gap has resulted in the deterioration of skills (Ghayad, 2013).
- Businesses need to consider their recruitment policies and challenge themselves to address biases in recruitment policies to ensure that highly-skilled women are able to return to work in jobs that are commensurate with their skills.
- Return-to-work programmes could be one way of addressing this and supporting women (and men) to transition back into the workplace post a career break. For example, JP Morgan's global ReEntry programme offers senior executives who were on career breaks a way back into work by providing opportunities for networking and mentorship.

Regular gender pay analyses

- An annual review of pay outcomes by gender, grade, time in role, and performance rating, for full-time and part-time employees will highlight any differences which can then be investigated further.
- The review should include fixed and variable pay, and be repeated annually to track changes.

Supporting women's career advancement

- Businesses could also ensure that they establish an organisational culture and performance review process that fairly recognises the skills and experience of its female employees. As businesses change to suit the needs of a knowledge economy, they need to move away from monitoring employee performance based on inputs such as working hours, towards measuring outcomes instead.

Providing opportunities for flexible and part-time working for all employees

- The undersupply of part-time or flexible opportunities in higher skilled and professional roles is an important contributing factor to the occupational downgrading women face.
- Flexible working can take different forms; generally, it means greater autonomy for workers to determine their own work patterns and where they choose to work.
- Increasing the availability of quality part-time or flexible roles can help address this demand gap. It would also help mitigate the risk of occupational downgrading, while widening the pool of talent that businesses can access.
- Making flexible work available for men and women, irrespective of any caring responsibilities, and encouraging men to take up flexibility also breaks down traditional gender roles.

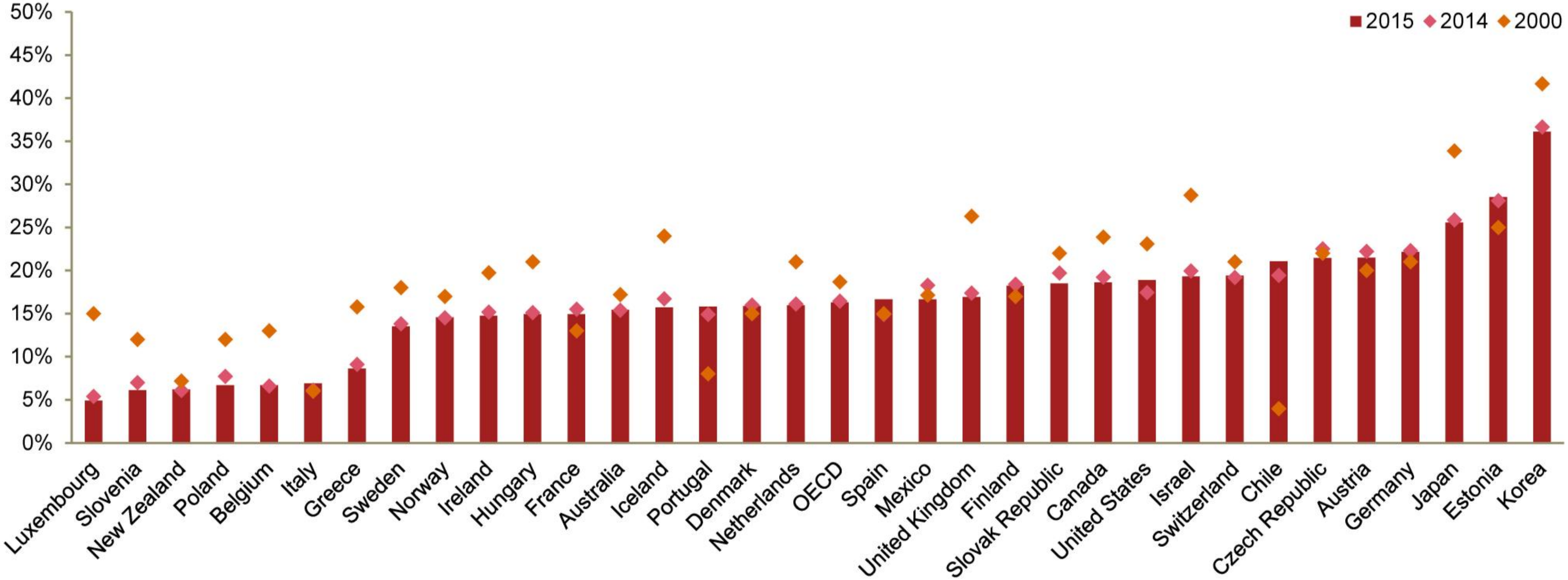
4

Appendix: Long term trends in female economic empowerment indicators

The gender pay gap

The average gender pay gap across OECD countries remains unchanged between 2014 and 2015. This masks the worsening gap in countries such as Chile and the US where the gap widened by 2pp. A few countries have also seen a gradual worsening over the longer-term, such as Chile and Portugal. The UK has seen a narrowing of its gender pay gap from 26% in 2000 to 17% in 2015. Similarly, the gap in Luxembourg has closed by 10pp between 2000 and 2014.

Figure 12: Gender pay gap, 2000 – 2015

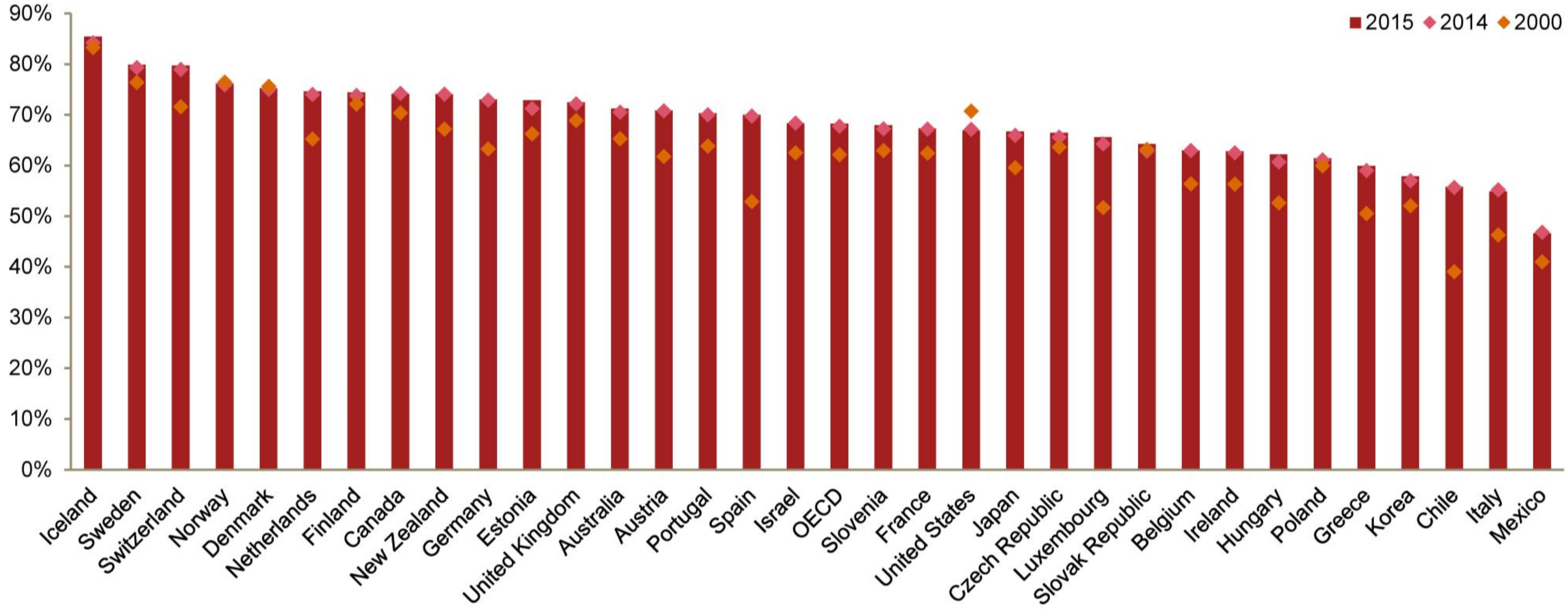


Source: OECD, Eurostat. OECD data refers to the difference in the median earnings for all full-time employees, while Eurostat compares the mean earnings. Data extrapolated using linear interpolation where data unavailable.

Female labour force participation

Overall female labour force participation rates remained fairly constant on average across the OECD from 2014 to 2015. The biggest short-term gains were observed in Luxembourg and Estonia. Over the longer term, Spain has seen the most improvement: female participation rates rose from 53% in 2000 to 70% in 2015. Conversely, participation rates in the United States fell from 71% to 67% over the same period. The UK saw a small increase in the participation rate between 2014 and 2015, continuing a longer-term trend of improvement.

Figure 13: Female labour force participation rate, 2000 – 2015

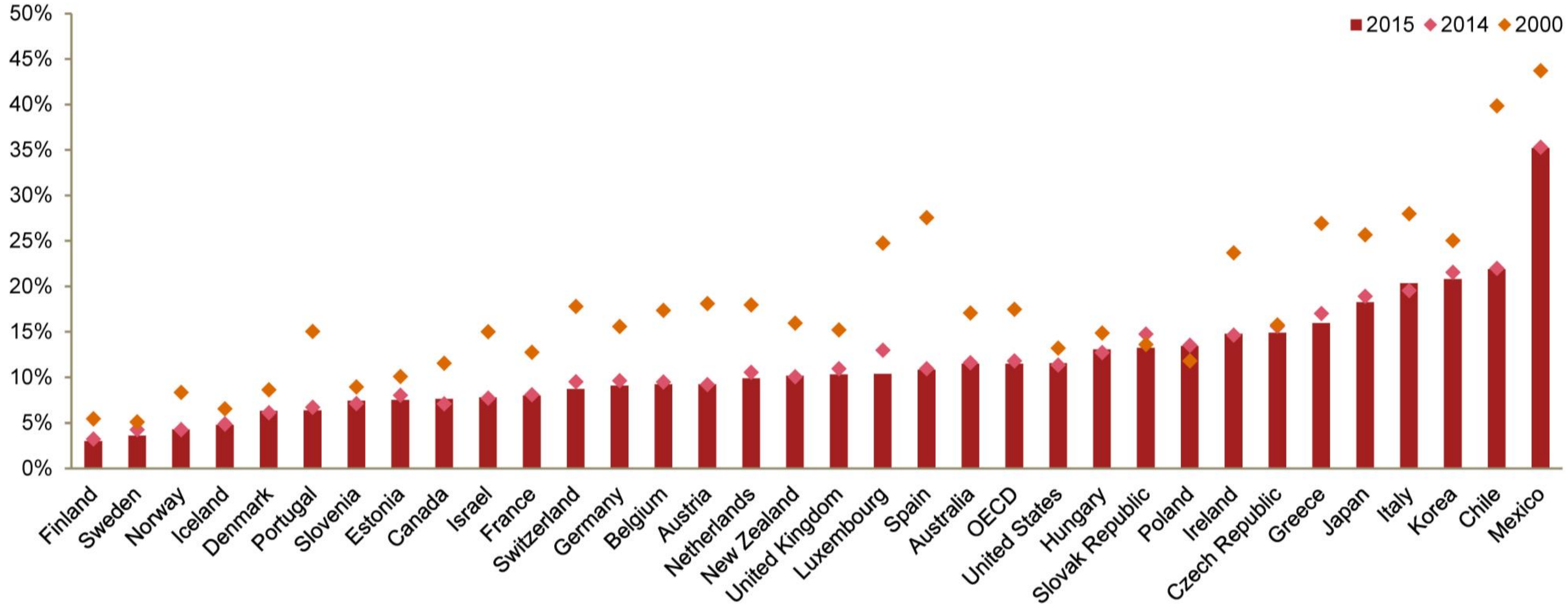


Source: OECD, BLS.

Gap between male and female labour force participation

The gap in participation rates decreased slightly (by 1pp) on average across OECD countries between 2014 and 2015. Luxembourg saw the largest improvement, while Finland maintained its position as the OECD country with the smallest male/female participation gap. Over the longer term, the gap in labour force participation rates between males and female has narrowed across the majority of OECD countries; the biggest improvement has been seen in Spain and Chile where the gap has closed by 17pp and 18pp respectively.

Figure 14: Gap between the male and female labour force participation rate, 2000 – 2015

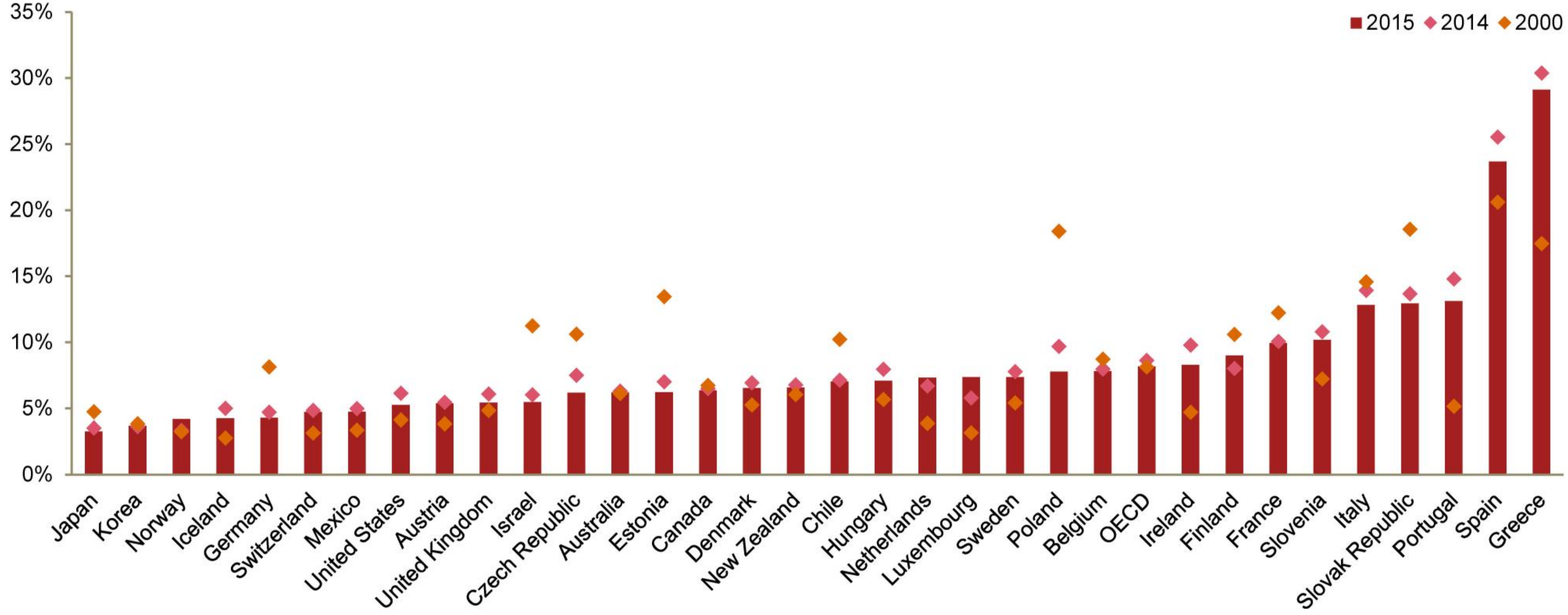


Source: OECD.

Female unemployment

Female unemployment fell by 1pp on average across the OECD. The largest improvements were observed in Ireland, Spain and Portugal, driven by improving economic conditions. The UK also saw a reduction of one percentage point in female unemployment in 2015. Since 2000, Poland has seen the most significant reduction in female unemployment, which has fallen from 18% to 8% in 2015. On the other hand, female unemployment in Greece increased from 17% to 29% over the same period.

Figure 15: Female unemployment rate, 2000 – 2015

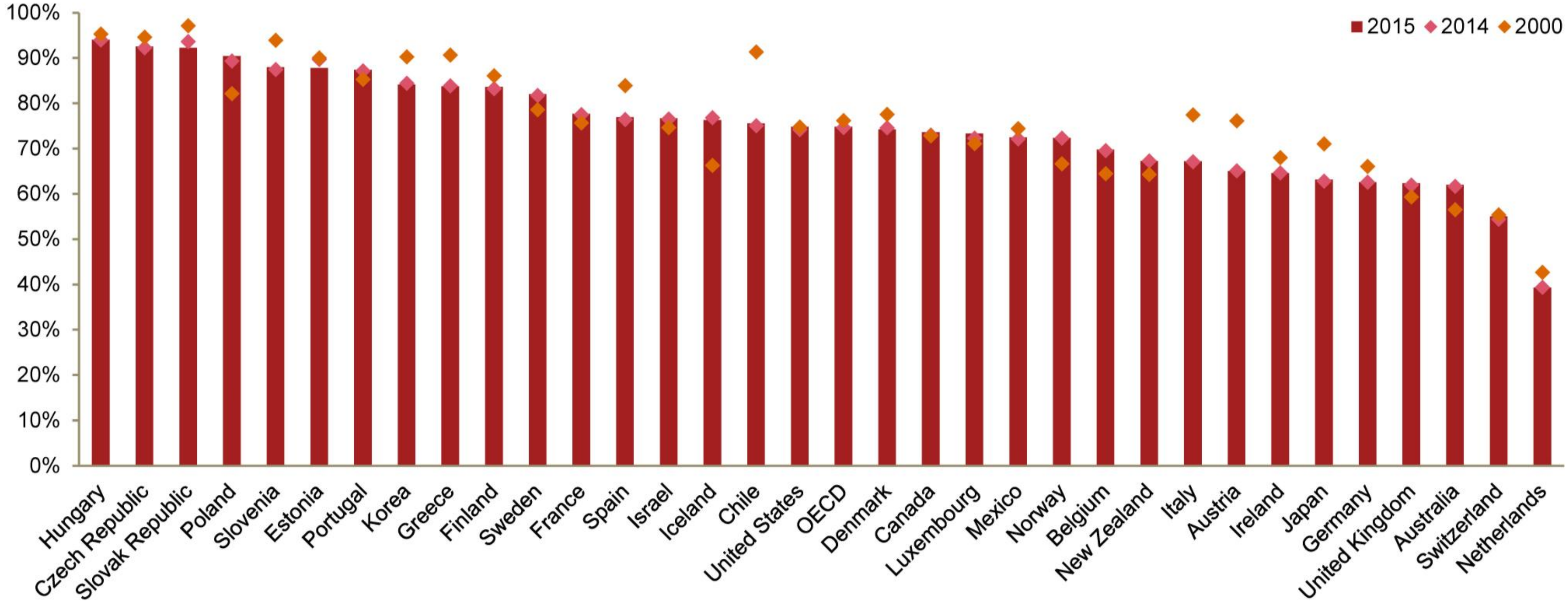


Source: OECD.

Female full-time employment rate

The share of women in full-time employment has remained largely constant between 2014 and 2015 across the majority of OECD countries. Since 2000, the female full-time employment rate has increased in countries such as Poland and Iceland while in others, particularly Chile, Italy and Austria, the share of women in part-time employment has risen. Australia continues to lag behind the OECD average on this indicator despite the gradual increase in female full-time employment since 2000.

Figure 16: Female full-time employment rate, 2000 – 2015



Source: OECD.

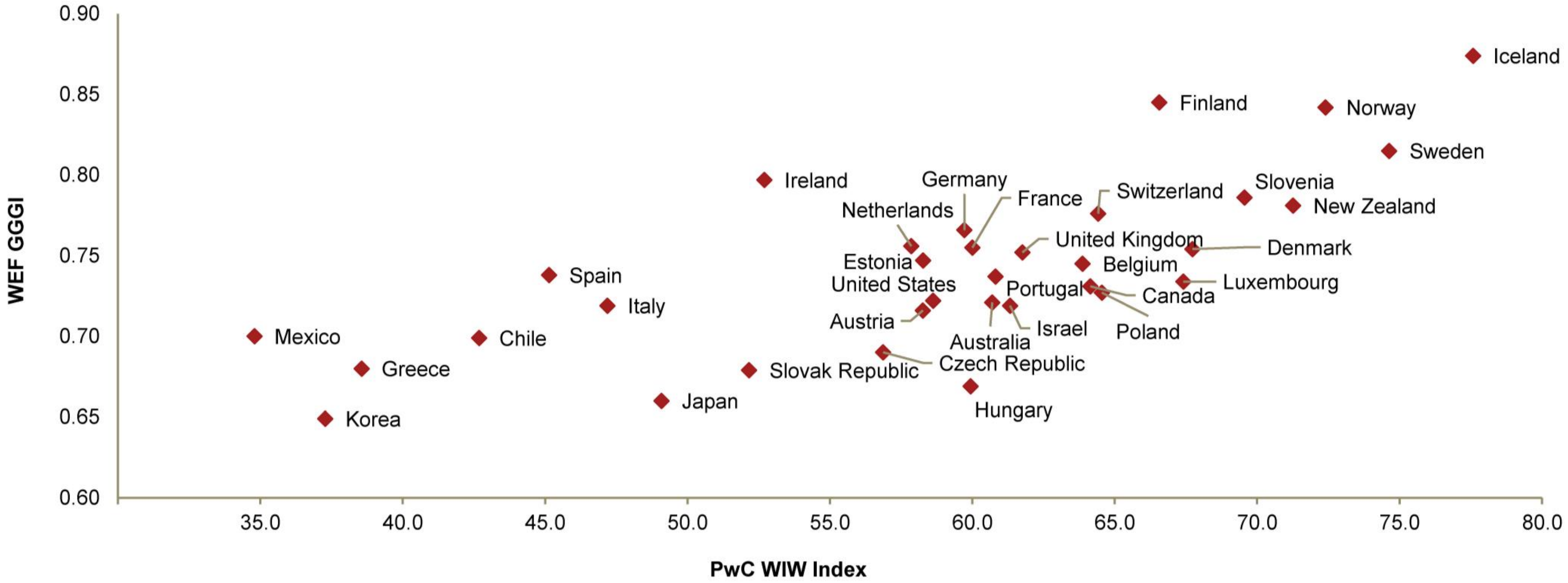
5

Appendix: Comparisons with other measures

Comparing PwC WIW Index performance against the WEF Global Gender Gap Index for 2016

The WEF GGG Index provides a measure of the gap between men and women across countries. It is composed of 4 sub-indices: Economic participation and opportunity, education attainment, health and survival and political empowerment. The index is highly correlated with the PwC WIW Index with a correlation coefficient of 0.72.

Figure 17: PwC WIW Index performance vs the WEF Global Gender Gap Index 2016

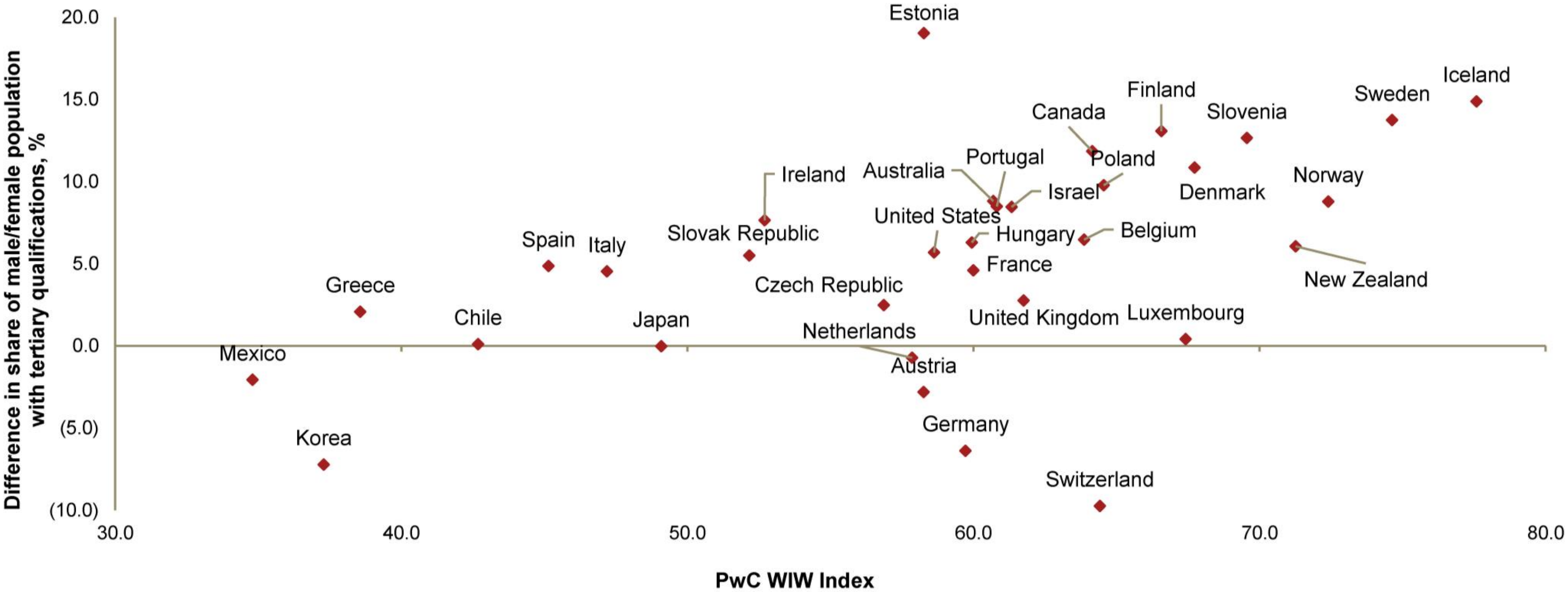


Source: OECD.

Comparing PwC WIW Index performance against the gap between male and female educational attainment

There is a positive correlation, with a correlation coefficient of 0.51 between PwC WIW Index performance and the difference in the percentage of men and women who have tertiary qualifications, indicating a potential relationship between female economic empowerment and the gap between male and female educational attainment.

Figure 18: Correlation between PwC WIW Index and difference in share of male/female population with tertiary qualifications, 2015



Source: PwC analysis, OECD.

6

Technical appendix: Data and methodology

Comparison of country results, 2000-2015

	2000		2014		2015	
	Index	Rank	Index	Rank	Index	Rank
Iceland	68.1	4	75.3	1	77.6	1
Sweden	69.3	1	73.2	2	74.6	2
Norway	68.2	3	73.1	3	72.4	3
New Zealand	63.0	8	71.2	4	71.3	4
Slovenia	64.9	6	67.9	5	69.6	5
Denmark	69.2	2	67.2	6	67.7	6
Luxembourg	46.4	23	66.1	8	67.4	7
Finland	63.7	7	66.8	7	66.6	8
Poland	48.3	19	61.4	12	64.5	9
Switzerland	54.6	11	63.4	11	64.4	10
Canada	54.9	10	63.8	9	64.1	11
Belgium	48.3	20	63.6	10	63.9	12
United Kingdom	**49.3**	**17**	**60.1**	**14**	**61.8**	**13**
Israel	40.1	26	60.3	13	61.3	14
Portugal	65.6	5	59.5	16	60.8	15
Australia	51.5	14	60.1	15	60.7	16
France	53.3	12	59.3	17	60.0	17
Hungary	49.8	16	58.2	20	59.9	18
Germany	47.9	21	58.8	19	59.7	19
United States	57.7	9	59.0	18	58.6	20
Estonia	49.0	18	56.9	23	58.3	21
Austria	52.5	13	57.6	22	58.3	22
Netherlands	47.5	22	57.6	21	57.9	23
Czech Republic	50.3	15	53.7	24	56.9	24
Ireland	43.9	25	50.8	25	52.7	25
Slovak Republic	43.9	24	49.0	26	52.2	26
Japan	33.9	29	47.7	27	49.1	27
Italy	38.6	27	47.3	28	47.2	28
Spain	31.0	31	44.4	29	45.1	29
Chile	36.1	28	43.6	30	42.7	30
Greece	33.5	30	35.8	32	38.6	31
Korea	27.9	33	36.0	31	37.3	32
Mexico	27.9	32	33.2	33	34.8	33
OECD average	**50.0**		**57.6**		**58.7**	

Source: OECD.

Summary statistics

Top 18 countries in the PwC WIW Index

Country	Pay gap		Labour force participation		Female unemployment		Women in full-time employment	
	Difference between female and male median pay, %		% Female		%		% of total female employment	
	2014	2015	2014	2015	2014	2015	2014	2015
Iceland	17%	16%	84%	85%	5%	4%	77%	76%
Sweden	14%	14%	79%	80%	8%	7%	82%	82%
Norway	15%	15%	76%	76%	3%	4%	72%	72%
New Zealand	6%	6%	74%	74%	7%	7%	67%	67%
Slovenia	7%	6%	67%	68%	11%	10%	87%	88%
Denmark	16%	16%	75%	75%	7%	7%	75%	74%
Luxembourg	5%	5%	64%	66%	6%	7%	72%	73%
Finland	18%	18%	74%	74%	8%	9%	83%	84%
Poland	8%	7%	61%	61%	10%	8%	89%	90%
Switzerland	19%	19%	79%	80%	5%	5%	54%	55%
Canada	19%	19%	74%	74%	6%	6%	73%	74%
Belgium	7%	7%	63%	63%	8%	8%	70%	70%
United Kingdom	17%	17%	72%	73%	6%	5%	62%	62%
Israel	20%	19%	68%	68%	6%	5%	77%	77%
Portugal	15%	16%	70%	70%	15%	13%	87%	87%
Australia	**15%**	**15%**	**71%**	**71%**	**6%**	**6%**	**62%**	**62%**
France	16%	15%	67%	67%	10%	10%	78%	78%
Hungary	15%	15%	61%	62%	8%	7%	94%	94%

Source: OECD, Eurostat.

Summary statistics

Next 15 countries in the PwC WIW Index

Country	Pay gap		Labour force participation		Female unemployment		Women in full-time employment	
	Difference between female and male median pay, %		% Female		%		% of total female employment	
	2014	2015	2014	2015	2014	2015	2014	2015
Germany	22%	22%	73%	73%	5%	4%	63%	63%
United States	17%	19%	67%	67%	6%	5%	74%	75%
Estonia	28%	29%	71%	73%	7%	6%	90%	88%
Austria	22%	21%	71%	71%	5%	5%	65%	65%
Netherlands	16%	16%	74%	75%	7%	7%	39%	39%
Czech Republic	23%	21%	66%	66%	7%	6%	92%	93%
Ireland	15%	15%	62%	63%	10%	8%	65%	65%
Slovak Republic	20%	19%	63%	64%	14%	13%	94%	92%
Japan	26%	26%	66%	67%	4%	3%	63%	63%
Italy	6%	7%	55%	55%	14%	13%	67%	67%
Spain	15%	17%	70%	70%	26%	24%	76%	77%
Chile	19%	21%	56%	56%	7%	7%	75%	76%
Greece	9%	9%	59%	60%	30%	29%	84%	84%
Korea	37%	36%	57%	58%	4%	4%	84%	84%
Mexico	18%	17%	47%	47%	5%	5%	72%	72%
OECD average	**16%**	**16%**	**68%**	**68%**	**9%**	**8%**	**75%**	**75%**

Source: OECD, Eurostat.

About the PwC Women in Work Index

The PwC Women In Work is a weighted average of various measures that reflect female economic empowerment, including the equality of earnings, the ability of women to access employment opportunities and job security. The indicators that make up the Index and their associated weights are provided on the following page.

Scoring methodology

- Indicators are standardised using the z-score method, based on the mean and standard deviation of the sample of 33 OECD countries (all OECD countries excluding Turkey and Latvia) in 2000, to allow for comparisons across countries and across time for each country. This is a standard method used by PwC and others for many other such indices.
- Positive/negative factors were applied for each variable based on the table on the next page.
- The scores are constructed as a weighted average of normalised labour market indicator scores.
- Finally, the scores are rescaled to form the PwC Index with values between 0 and 100 and an average value across 33 countries set by definition to 50 in 2000. The average index value for 2015 can, however, be higher or lower than this 2000 baseline.

Data sources

- Labour market data obtained for 2015, except where specified. All data provided by the OECD with the exception of data on the pay gap, which has been obtained from Eurostat for all countries with the exception of the following, where data has been obtained from the OECD: Australia, Canada, Chile, Greece, Ireland, Israel, Japan, Korea, Mexico, New Zealand, United Kingdom and United States.
- Methodological differences account for differences between data on the gender pay gap reported by the OECD and Eurostat. The OECD pay gap measures the difference in median earnings for all male and female full-time employees in all sectors, whereas the headline Eurostat pay gap (largely used in our analysis) measures the difference in mean hourly earnings for all male and female employees for all sectors except agriculture and public administration.

Note: Throughout this report, we follow convention in the literature and refer to the gap between male and female pay as the 'gender pay gap'. This however accounts only for differences in hourly earnings and not overall pay which includes bonus payments.

PwC WIW Index methodology
Variables included in scoring

Variable	*Weight*	*Factor*	*Rationale*
Gap between female and male earnings	25%	Wider pay gap penalised	Earnings equality underpins the fundamental principle of equal pay for equal work.
Female labour force participation rate	25%	Higher participation rates given higher score	Female economic participation is the cornerstone of economic empowerment, which is a factor of the level of skills and education of women, conducive workplace conditions, and broader cultural attitudes outside the workplace (eg towards shared childcare and distribution of labour at home).
Gap between female and male labour force participation rates	20%	Higher female participation rate relative to male participation rate given higher score	Equality in participation rates reflect equal opportunities to seek and access employment opportunities in the workplace.
Female unemployment rate	20%	Higher unemployment penalised	The female unemployment rate reflects the economic vulnerability of women. Being unemployed can have longer-term impacts in the form of skills erosion, declining pension contributions and increased reliance on benefits.
Share of female employees in full-time employment	10%	Higher share of full-time employment given higher score	The tendency for part-time employment may adversely affect earnings, pensions and job security. However, this factor is given a lower weight in the index since some women may prefer part-time jobs to fit flexibly with caring roles.

Methodology for calculating potential GDP impacts from increasing employment rates

We break down GDP in the following way:

GDP	=	***Female FT workers * GDP per FT worker***	+	***Male FT workers * GDP per FT worker***	+	***Female PT workers * GDP per PT worker***	+	***Male PT workers * GDP per PT worker***

We consider the potential boost to GDP under two different scenarios, holding the employment rate for male part-time (PT) and full-time (FT) workers constant:

- Increasing the female PT and FT employment rates to that of a benchmark country
- Increasing the female PT and FT employment rates to that of the male PT and FT employment rates in the same country

Simplifying assumptions

In order to estimate the GDP impacts of increasing female employment rates, with the data available, we have made the following simplifying assumptions:

- Total employment in the economy is equal to employment within the 15-64 age group.
- A full-time (FT) worker is twice as productive on average as a part-time (PT) worker.

Methodology for measuring the gains from closing the gender pay gap

We consider the potential increase to total female earnings from completely closing the gender pay gap such that the average annual earnings for women is equal to the average annual earnings for men. This allows us to calculate the average male and female earnings from data on the total male and female earnings. We breakdown total male and female earnings as follows:

Total earnings	=	***Average male earnings * Male workers***	+	***Average female earnings * Female workers***

where

Average male earnings	=	***Average female earnings***	/	***(1 - gender pay gap)***

In order to estimate the potential gains from closing the gender pay gap, we made the following simplifying assumptions:

- Total employment in the economy is equal to employment within the 15-64 age group.
- The median wages, which form the basis of comparison for the gender pay gap in OECD data, are equivalent to mean wages.
- The gender pay gap is closed by increasing female wages to match male wages rather than by decreasing male wages to match female wages.
- The elasticity of female employment to a change in wages is 0, meaning that a 1% increase in wages results in no change in female employment. This takes into account the counteracting effects of labour supply and demand elasticities: an increase in wages makes it more expensive for employers to hire more workers, however higher earnings also incentivise potential workers to seek employment. Our literature review suggests that:
- Estimates of labour supply elasticity range from 0.5 to 0.9 [1].
- Estimates of labour demand elasticity range from – 0.5 to – 0.3 [2].
- We take a conservative view that the counteracting effects of cancel each other out with no resulting change in female employment.

- The simplifying assumptions provide us with conservative gain estimates for the following reasons:
- The gender pay gap is likely to be higher at the mean, which may be skewed upwards by a small number of high earners amongst male employees, than at the median which has been used to obtain data for at least 10 countries, as noted in the data sources above [3].
- The 64+ age group has not been included in the analysis and therefore the increase in female earnings within this age group from closing the gender pay gap has not been accounted for.

[1] *Source: Blundell, R. et al. (2013) 'Female Labour Supply, Human Capital and Welfare Reform', IFS Working Paper W13/10.*

[2] *Source: Merikull, J. and Room, T. (2014). 'Are foreign-owned firms different? Comparison of employment volatility and elasticity of demand', European Central Bank Working Paper Series No 1704.*

[3] *Source: ONS (2015) 'Annual Survey of Hours and Earnings, 2015 Provisional Results'.*

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