
Prospects for Pay Equity in the WA Public Sector

Alison Preston
Department of Economics
University of Western Australia

May 2022



Disclaimer: Some estimates within this slide-pack are based on data from the Household, Income and Labour Dynamics in Australia (HILDA) survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this document, however, are those of the author and should not be attributed to either the DSS or the Melbourne Institute .

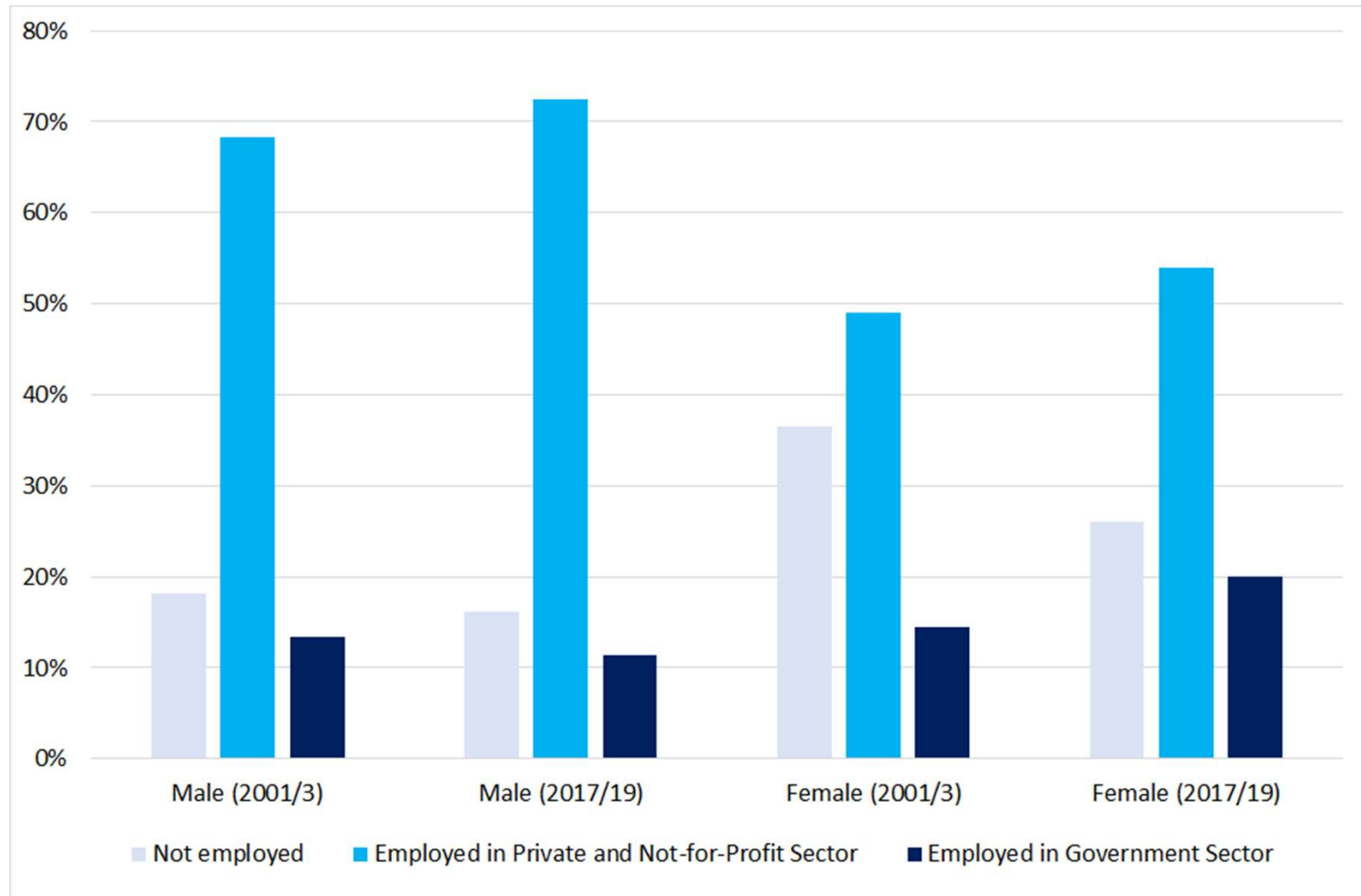
Introduction

- Over the last few decades there has been a significant change in the composition and character of the WA labour market.
- Figure 1 (below) shows that between 2001/3 and 2017/19, of all men aged 18-64 years, the share employed in the public sector declined from 13% to 11%. Amongst women aged 18-64 years, public sector employment increased from 15% to 20%.
 - ❖ In 2001/3 52% of WA public sector employees were women; by 2017/19 this share had increased to 64%.¹
- It is instructive to consider how the gender pay gap may have changed as a result of these compositional changes.
- In this brief the focus is on the gender pay gap within the public sector.

1. Source: Author estimates based on HILDA.

Labour Market Status of WA Males and Females, Aged 18-64, 2001/3 and 2017/19

FIGURE 1



Notes

1. Estimates weighted to reflect population totals
2. Source: HILDA

Mean Gender Wage Gap (GWG)

TABLE 1
MEAN GENDER WAGE GAPS, WA AND REST OF AUSTRALIA,
2001/3 AND 2017/19

	All WA	WA Public Sector	Rest Aust	Public Sector Rest Aust
GWG 2001/3	22.4%	14.5%	8.0%	13.0%
GWG 2017/19	14.6%	13.2%	9.6%	11.9%

Notes

1. Sample: Aged 18-64. Estimates weighted to reflect population totals.
2. Estimates based on measures of hourly wage main job, constructed as usual weekly wage main job divided by usual weekly hours main job.
3. The gender wage gap is calculated as the male mean minus the female mean, divided by the female mean. It shows, at the mean, how much female wages need to increase to equal that of males.
4. The mean wage gaps may differ from those reported elsewhere (e.g., gaps reported using Australian Bureau of Statistics data are commonly restricted to persons employed full-time).

Source: HILDA.

The Adjusted Gender Wage Gap

- Economists commonly refer to the GWGs reported in Table 1 as ‘raw gender wage gaps’.
- The raw GWG show the difference in the average wages of men and women without any adjustment for gender differences in characteristics that may ‘explain’ why men earn more than women.
 - For example, if men have, on average, spent more time in the labour market than women, then their higher average levels of experience may underpin their relatively higher wages.
- A focus on **adjusted gender wage gaps** permits more meaningful comparisons
 - Table 2 shows that the **adjusted gender wage gap in the public sector in WA increased from 11% to 16% between 2001/3 and 20017/19.**
 - Elsewhere in the Australia the adjusted gender gap in the public sector increased from 8% to 10% over the same period.

TABLE 2
ADJUSTED GENDER WAGE GAPS
PUBLIC SECTOR
WA AND REST OF AUSTRALIA

Western Australia		Rest of Australia	
2001/4	2017/19	2001/4	2017/19
11%	16%	8%	10%

Notes

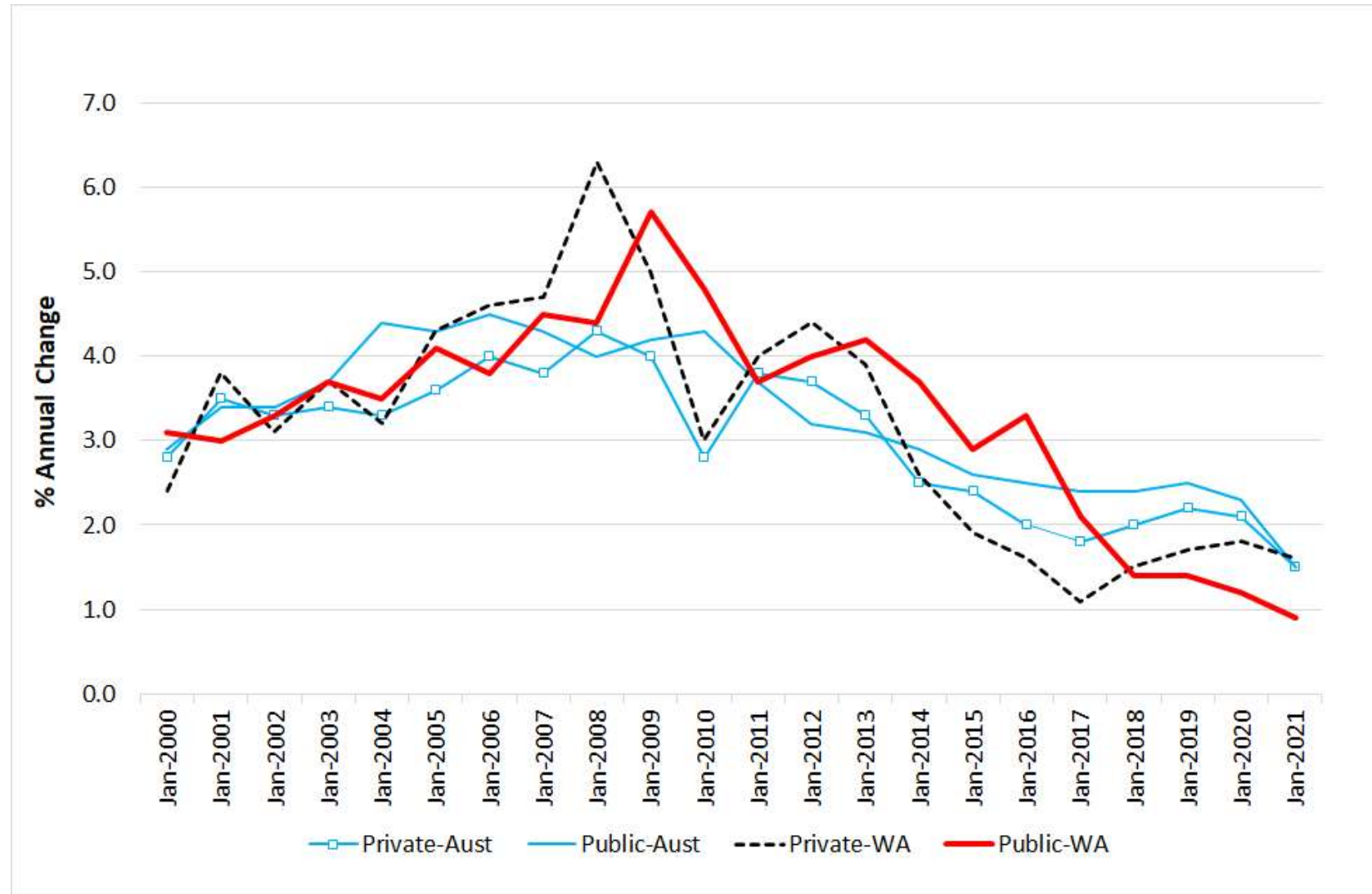
1. Sample: Aged 18-64.
2. Estimates weighted to reflect population values.
3. Regression estimates controlled for selection into employment and into the public sector.
4. The regression itself controlled for schooling, years of actual experience, marital status, dependent children and geographic location
5. Data on non-labour income, age and the presence of pre-school children are used as first-stage instruments.
6. Dependent variable is the natural logarithm of hourly wages in main job (in AUD 2019 prices)
7. Decomposition undertaken using the Blinder-Oaxaca decomposition technique. Estimates are not reported but are available on request.
6. Source: HILDA

Wage trends in WA

- Since 2009 wage growth in Australia has slowed.
- This is particularly the case in Western Australia, with the largest slowdown occurring in the public sector (see Figure 2 below).
- In the year to June 2021 wages in the WA public sector increased by only 0.9%. Wages in the WA private sector increased by 1.6% over the same period.
- The decline in WA public sector pay over recent years has been driven by austerity measures.
 - This included a 2017 decision to cap public sector wage increases at \$1000 per annum. This policy ended in December 2021 with the WA government offering public sector employees a 2.5% per annum increase plus a 'sign-on' bonus of \$1000 or an additional 0.25% per year.
- Given recent and projected movements in the CPI and WPI (Table 2), it is clear that WA public sector employees have experienced a real wage cut in recent years and will likely see further deterioration in their real wage and relative wage position (vis a vis private sector employees in WA) over coming years.

Total Hourly Rates of Pay Excluding Bonuses; Percentage Change from Previous Period; All industries; WA and Australia; Private and Public Sectors

FIGURE 2



Source: ABS 6345.0 Wage Price Index, Australia, Tables 3A and 4A.

Key indicators, WA

TABLE 3

	2020-21	2021-22	2022-23	2023-24
	Actual	Estimated Actual	Budget Year	Out Year
Unemployment rate	6.1%	4.0%	3.75%	3.75%
WPI	1.5%	2.0%	2.75%	3.00%
CPI (Perth)	1.6%	4.0%	2.75%	2.50%

Source: WA Budget Papers, 12 May 2022.

<https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp3/2022-23-wa-state-budget-bp3.pdf>

Summary and Conclusion

- WA has a large gender wage gap when compared to other States and Territories in Australia.
- Research suggests that a key factor underpinning the large WA gender wage gap is the gender wage gap in the public sector.²
- The gender pay gap in the WA public sector is increasing. Between 2001/3 and 2017/19 **the adjusted gender wage gap** increased from **11% to 16%**.
- WA public sector wage growth is the lowest in Australia and is below that of the WA private sector and that of public and private sectors elsewhere.
- WA is facing acute shortages in feminised sectors of the public sector (e.g., teaching, nursing).
- Without policy interventions to address the gender wage gap in the public sector, the prospects for gender pay equity in WA are dim.
- Addressing the public sector GWG has the potential to narrow the WA gender wage gap and support the attraction and retention of essential workers in feminised sectors, including the WA public sector.