

# PAY GAPS 101



## What are Pay Gaps?

Pay gaps are differences in pay between groups of workers.

There are all sorts of gaps: Gaps between men and women (gender pay gap), for Māori employees, for Pacific employees, for other ethnic groups (ethnic pay gaps), for employees with disabilities and people who are gender diverse<sup>1</sup>.

Gender and ethnic pay gaps are driven in part by discrimination and the behaviours of employers.

## The state of pay gaps in NZ

For every \$1.00 a Pākehā man earns...

A Pākehā woman earns \$0.89

A Māori man earns \$0.86

An Asian man earns \$0.86

An Asian woman earns \$0.83

A Pasifika man earns \$0.81

A Māori woman earns \$0.81

A Pasifika woman earns \$0.75

The gender pay gap is around 9%. That's where it's been for the last decade (These are Stats NZ figures)

When you combine gender and ethnicity pay gaps it is much worse. The most disturbing is the gap between a European male worker and a Pacific female worker which is 27 per cent. That's nearly a third less buying power and a third less they can save for retirement.

There's not enough data on the pay gap for gender diverse and rainbow communities and limited data for ethnic minority women and Middle Eastern, African, and Latin American communities. But we suspect it's not good!

## Definitions

**Equal Pay** is the same pay for the same job (no differential based on gender).

**Pay Parity** is the same pay for the same job, across different employers/workplaces.

**Pay Equity** is the same pay for different work of equal value.

**The Gender Pay Gap** is the gap between the average earnings of women compared with men.

**Employment Equity** is pay, conditions, experiences in the workplace and access to jobs at all levels **not** being affected by an employee's ethnicity or gender.

## Debunking common pay gap myths

Here are common misconceptions about pay gaps - and why they're wrong.

**“Pay gaps are just caused by education and skill differences between people.”**

**“The gender pay gap is inevitable because women choose to have children”**

**“It's cos women take more time off work!”**

**“Women just choose to work in industries that pay less”**

Wrong, wrong wrong. There's plenty of research that shows that argument only covers about 20 % of the gender pay. The rest - an entire 80 percent can only be put down to unconscious bias and discrimination. People making assumptions about women in work and general attitudes and behaviour that are not great.

It's true that women still perform the bulk of unpaid domestic work, including childcare. It's also true that some industries are more male or female dominated. The good news is when businesses start to look at the reason for their pay gaps, they start to address the issues. So they might make sure women are shortlisted for senior roles, to be transparent about pay and promotions, and encourage men to take shared parental leave. Many businesses we work with are surprised at their pay gap and when they uncover the reasons for it so pay gap reporting is a start.

**MYTH:** “Pay gaps don't exist in New Zealand because we have the Equal Pay Act”

**Pay gaps do exist in New Zealand.** Just ask StatsNZ. They publish the pay gap info every year. There's also plenty of research and a lot of people's experience to back that up.

**Equal pay is not the same as pay gaps.** Equal Pay is receiving the same pay for the same job (no matter what gender) and unequal pay is illegal.

**The Gender Pay Gap is the difference between the average earnings of women compared with men.** The causes of the gaps are not that easy to figure out, but we're working on it. The gender pay gap hasn't moved for ten whole years. **When you add in ethnicity its even worse.**

**MYTH:** “Pay gap reporting doesn't work in closing pay gaps”

**Oh yes it does and we've seen evidence of this in seven countries that have shown that mandatory reporting can reduce gender pay gaps by between 20-40 percent.**

We've looked at what's happened overseas and applied to to what could happen in New Zealand if we had mandatory reporting and we found that woman earning the current median wage (\$26.37) could receive \$12.80 - \$35.77 a week more). That's a lot of extra bread, eggs and butter.

**MYTH:** “Women just need to work harder”

**FACT:** Closing pay gaps is not a matter of working harder. Business behaviour, bias and discrimination all play a part in driving the gaps.

**MYTH:** “Its too hard for businesses to implement pay gap reporting”

**Nope. Its pretty easy.** Just ask the 55+ NZ's large businesses who are now reporting on NZ's first pay gap registry. Big names like EY, Fonterra, Deloitte, MinterElison Rudd Watts, BNZ etc have committed publicly publishing their pay gaps as part of their commitment to ending pay discrimination.

MindtheGap and our partners at strategic pay can help. In fact we'd love to. Get in touch today [kiaora@mindthegap.nz](mailto:kiaora@mindthegap.nz)