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# Motivating Action

Closing the gender pay gap in Victorian businesses



A report prepared for **Industrial Relations Victoria**



## About Impact Economics and Policy

This project is a collaboration between Impact Economics and Policy, One Red Step, University of Tasmania and University of Canberra Project Team. The project team brought together research expertise from across business, government and academia, with the joint objective of providing an evidence-based fresh perspective on actions to close the gender pay gap in Victoria.

The core project team was comprised of Dr Angela Jackson, Associate Professor Leonora Risse, Professor Swee-Hoon Chuah, Stacey Ong and Melissa Wells. We thank Amy Kilpatrick, Adrianna Bella and Eko Wicaksono for their contribution to the research.

## About the data

This report uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey, which 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 paper are those of the authors only and not attributable to the DSS, the Melbourne Institute, or the authors' institutional affiliations. Permission was received by the DSS to use the HILDA Survey specifically for the purpose of this research.

## Acknowledgement of Country

*We acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Australia and their continuing connection to both their lands and seas. We also pay our respects to Elders – past and present – and generations of Aboriginal and Torres Strait Islander peoples now and into the future.*

*We accept the invitation of the Uluru Statement of the Heart and support its full implementation.*

## Gender equality

As recognised in Our Equal State: Victoria's Gender Equality Strategy and Action Plan 2023-2027, there are ongoing opportunities for us all to improve the inclusiveness of data analysis and policy development processes.

Firstly, we acknowledge that while much of the data collection, research and policy discussion in this space refers to men and women expressed in binary classifications, gender equality analysis and policies are not to the exclusion of people who identify as non-binary. Indeed, policy levers that reduce constrictive gender norms have the potential to improve equity for all people across all genders.

Secondly, an intersectional gender lens is needed. Addressing the gender pay gap needs to consider multiple sources of inequality and differences in people's lived experiences, access to resources, and circumstances. It is not merely gender but multiple dimensions – including socioeconomic background, First Nations Indigenous identity, culture and race, spectrum of disability, LGBTQI+ identity, age, geographic location, and household composition – that can compound these gender inequalities.



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## Executive Summary

The gender pay gap reflects how society values women and men differently, both in the workforce and wider society. It shows that gender biases, barriers, and inequities continue to exist. The Victorian Government has made significant strides in the pursuit of gender equality, but closing the gender pay gap remains a challenge, especially in certain business sectors. This research explores new frontiers in gender equity research by focusing on motivational factors and behavioural insights to understand why businesses, particularly small businesses, may act (or not) to close the gender pay gap and to tailor policy tools.

### Victoria's gender pay gap persists for a range of reasons

Victoria's economy-wide gender gap in earnings is 10.4% in favour of men, based on the Australian Bureau of Statistics full-time ordinary time earnings for May 2024.

The gender gap is mirrored at an hourly wage basis, calculated to be 10.8% for Victoria using the Household, Income and Labour Dynamics in Australia (HILDA) Survey for 2022. This disparity in hourly earnings is much wider in Victoria's private sector at 15.9% and government commercial sector at 17.4%, compared to 7.2% in the public sector and 5.5% in the not-for-profit sector.

Statistical analysis shows that the factors contributing to the economy-wide gender pay gap in Victoria include occupation and industry segregation with more men employed in higher-paying occupations such as managers, and more women in lower-paying industries such as care services. Wage-setting mechanisms play a role, with more men employed on higher-paying, individually negotiated agreements, while women are more dependent on awards and collective bargaining.

Employment and demographic factors also intersect with gender biases. For example, men working in larger companies experience a wage premium compared to workers in smaller-sized companies, but women do not. Men aged 34-44 experience a wage premium compared to other workers, yet women of the same age do not. These workforce experiences reflect gender imbalances in care patterns at home. This statistical analysis is based on econometric decomposition analysis using the HILDA Survey data.

### Support for gender equality is shaped by values and behaviours

Support for gender equality initiatives is strongest among people and leaders who have progressive values and attitudes and weaker among those who value tradition and existing norms. Behavioural tendencies – such as the ‘status quo’, ‘loss aversion’ and ‘present’ biases – can skew people’s assessment of change towards underestimating the benefits and overestimating the perceived costs, resulting in resistance to change. Gender equality backlash, fatigue and complacency are important, but often overlooked, factors to address when designing effective policy interventions.

We consulted with owners, leaders and human resource managers from 133 businesses, with a focus on small businesses (108 small businesses with fewer than 100 employees) in industries of significance for addressing the gender pay gap in Victoria. We used a mixed-method approach of in-person interviews at a small business expo, an online survey, additional interviews and focus groups. We found that businesses vary widely in their levels of awareness, motivation and capacities to take action on gender equality.

**Awareness cannot be assumed.** Medium and larger sized businesses in our study were aware of the gender pay gap and had been working on it for years. However, most small businesses did not fully understand the gender pay gap. A takeaway for policymakers is that it cannot be assumed that every business owner accurately understands what the gender pay gap is, or that it even exists.

**Motivation matters.** Medium-large businesses’ understanding of the gender pay gap was partly due to their reporting obligations. Among small businesses, many did not see the issue as a priority. Where motivation to take action exists, in any sized business, it is often aligned to a businesses’ core values, purpose and identity. A takeaway for

policymakers is to recognise that businesses do not necessarily have a rational reason to invest in understanding the gender pay gap, or to take action on it.

### Action can reflect different underlying factors.

Most small business had not taken intentional action to promote gender equality. A few had taken actions that were positive for gender equality, even if non-intentional. Businesses’ capacity to take action on gender equality can also be enhanced or impeded by factors that are sometimes beyond their direct control. A takeaway for policymakers is to recognise that there can be instances where awareness or intrinsic motivation could be lacking, despite a business taking apparent action. Conversely, a business might have awareness and motivation, yet be impeded by constraints.

**Businesses range from ‘unaware’ to ‘embedded’ in their gender equality journey**

We developed six business profiles that build on typical diversity and inclusion models, expanding the early stage, particularly for small businesses. The profiles combine intrinsic motivation, awareness, and action – elements which have often been overlooked in models of organisational behaviour but are important to reach the full spectrum of businesses across the economy.

Insights that underpin each of the business profiles are as follows.

**Unaware.** These mostly small businesses have very low to no awareness of the gender wage gap and weak to no understanding on how to close it, resulting in inaction. The gender wage gap is a complex concept to understand and perceived as irrelevant to the business, and people tend to avoid or delay engaging with non-essential matters to avoid cognitive overload. Small business owners or managers are already under mental stress and face cognitive overload due to operational and financial pressures.



**Unaware**

Unaware of the gender pay gap



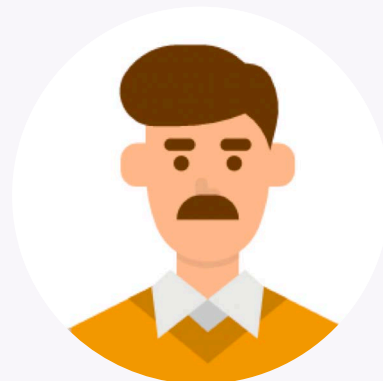
**Resistant**

Resistant to gender equality efforts



**Incidental**

Gender inclusive but not intentionally



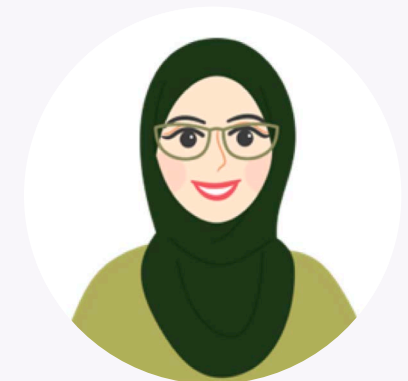
**Emerging**

Starting to make change due to external factors



**Impeded**

Making change but impeded by external barriers



**Embedded**

Embedded gender equality into the business

**Resistant.** These businesses are likely to believe that they are already equitable or merit-based, which results in resistance to taking action on gender equality or any inclusion initiatives. Gender equity measures are perceived to conflict with strong traditional gender norms and stereotypes. Behavioural biases such as the status quo bias (an exaggerated preference to preserve the current state) and loss aversion (the preference to minimise losses than to seek gains of the same size) can result in resistance to change. Negative emotions, such as anger over perceived discrimination against men, can trigger inaction and backlash.

**Incidental.** These businesses do not have high intrinsic motivation to take action on gender equality, and are not intentionally gender equitable, but have incidentally adopted gender inclusive practices for other reasons, such as recruitment. Industry norms are conducive to closing the gender wage gap and they are likely to be in a female-concentrated sector. However, lack of awareness and inertia hampers active measures to maintain a low gap or further close the gap. Moral licensing (where people respond to having done something good by doing more of something bad) may threaten further actions.

**Emerging.** Business leaders do not have high intrinsic motivation to reduce the gender pay gap out of their own beliefs, yet have taken action due to outside influences, such as compliance

and reporting requirements. As such, the types of action taken are not necessarily effective or delivered in a supportive cultural environment that sustains progress. Business leaders may exhibit fatigue and cognitive stress, because the complexities and costs of complying with and implementing gender equity measures overshadows a genuine sense of gain and fulfilment.

**Impeded.** Business leaders are intrinsically motivated due to alignment of values, and a social identity or self-image as progressive, transformative leaders. However, among the impediments, industry norms and culture, such as gender stereotypes and long overtime hours, constrict change. High costs of implementing equity measures may trigger behavioural biases, such as wanting to prioritise immediate benefits over future ones (present bias), jeopardising current and future initiatives.

**Embedded.** Businesses have a genuine understanding of the gender pay gap, high motivation and are taking action. They are more likely to be businesses led by women or strong gender champions intrinsically motivated due to social identity or self-image as progressive leaders. However, leaders may be over-ambitious and over-optimistic and set unrealistic targets or goals. Inertia due to complacency may hamper further measures. It may also be challenging to sustain momentum and continue progress over time.

## Policy tools to 'meet businesses where they are at'

Our business profiles show that businesses differ widely in their levels of awareness, motivation and capacities to take action on gender equality. These differences are not always recognised or accommodated in policy design. Understanding this diversity equips us to design more nuanced policy tools, enhancing their likely effectiveness. Especially for small businesses, it is important to 'meet businesses where they are at', leveraging their strengths, aligning with existing priorities, and working through trusted people and systems.

Nudges or subtle changes to businesses' choice architecture (i.e. decision-making context) can influence behaviour in positive ways, without limiting choices or significantly altering economic incentives. These design mechanisms can be applied to support firms across all stages of the gender equality journey, to give organisations greater opportunity to grow in their awareness, motivation and understanding of the gender pay gap. For example, partnering with commonly used accounting platforms to develop a gender pay gap module could reach businesses that are 'unaware' about the gender pay gap, or that are 'incidental' about inclusivity, to help them make actions more intentional, sustained and ultimately more effective.

Government investment to change social norms can benefit all businesses, especially those that are in an 'emerging' stage hampered by these norms.

To shift norms among people who have their reasons for being 'resistant' to gender equality and pay equity (who, this research finds, are disproportionately men), principles of behavioural design point towards campaigns that use a trusted and respected member of their peer group or community. Peers can share positive narratives about gender equality in a non-threatening manner by focusing on relatable benefits for individuals, families, businesses and the wider community.

Business programs to foster more women-led businesses can support businesses that are at an 'incidental' or 'embedded' stage to take and sustain action. To support businesses at all stage of the gender equality journey, investment in data, research and evaluation is an important enabler to propel the case for change and assure organisations that their actions will be worthwhile.

Based on the behavioural considerations canvassed in this analysis, legislation and compliance measures are not recommended at this point in time, given large businesses already have obligations to the Workplace Gender Equality Agency (WGEA), and many small businesses lack the awareness and understanding about the gender pay gap to be receptive to mandates. Compliance requirements in this context risk backlash, resistance and fatigue. Rather, 'influencing' policy nudges are a more effective starting point.

Policy tool	Recommendation
<p><b>Nudges</b></p> <p>Use information sources, services and platforms that businesses currently use to make it easier for businesses to understand and act on their pay gap.</p>	<p><b>Partner with commonly used accounting platforms</b> to develop a gender pay gap module that automatically calculates a business' gender pay gap and provides a benchmark to industry averages.</p> <p><b>Provide free consulting services</b> to small businesses for pay reviews that include analysis of the gender pay gap and suggested actions to reduce it.</p> <p><b>Develop a public comparison site</b> on gender pay gaps for use by small businesses and their current and prospective employees and clients.</p> <p><b>Work with job platforms</b> to develop nudges on job advertisements to attract more women candidates, such as prompts for flexible work or non-CBD location, and provide information on the additional job applicants that are likely to result from these changes.</p> <p><b>Promote gender decoder language tools</b> that check and remove gender-patterned wording and implicit bias from job advertisements and company materials.</p> <p><b>Activate professional services</b> that support small business such as human resources (HR), legal and accounting service providers to educate clients on the gender pay gap and support them to reduce it. For example, HR recruiters could provide a gender balanced pool of candidates, or accountants could calculate pay gaps and recommend actions if a firm is already submitting payroll data.</p>



Policy tool	Recommendation
<p><b>Education and information</b></p> <p>Support campaigns for businesses and employees to make the gender pay gap stand out.</p> <p>Coordinate action in male-dominated industries.</p>	<p><b>Publish benchmark salaries</b> by industry, making available salary bands across different roles in each industry.</p> <p><b>Work with peak bodies</b>, local councils and professional service providers promoting existing and new business resources on the gender pay gap.</p> <p><b>Develop rules of thumb</b> or easy actions that businesses can take that will likely improve the gender pay gap for all businesses.</p> <p><b>Empower employees</b> through employee education on the gender pay gap, supporting employee advocacy, encouraging sharing of salary information publicly and anonymously through online job community platforms to promote transparency.</p> <p><b>Support champions and communities of practice</b> resourced to develop industry-specific strategies to address gender pay gaps.</p> <p><b>Foster business peer support</b> such as pairing a large business with a small business in the same industry to provide more tailored support and mentoring to the small business to reduce their gender pay gap.</p>
<p><b>Changing norms</b></p> <p>Align gender equality with existing business values and priorities.</p> <p>Shift social norms and industry perceptions that discourage gender equality.</p>	<p><b>Fund campaigns targeting (mainly) men</b> that are unaware or resistant featuring relatable male peers sharing positive narratives about how gender equality has improved their professional success and personal fulfillment, without suggesting that men need to change their beliefs.</p> <p><b>Develop (and continue) industry specific strategies</b> to shift women into male-dominated industries and occupations, and men into female-dominated industries and occupations.</p> <p><b>Support campaigns</b> to encourage more equal sharing of care duties in the home and men's take-up of paid parental leave.</p>

Policy tool	Recommendation
<p><b>Business programs and incentives</b></p> <p>Provide timely information and advice to small businesses.</p> <p>Support gender equitable businesses and female business owners.</p>	<p><b>Explore an accreditation scheme</b>, or utilise an existing accreditation scheme such as WGEA Employer of Choice or B Corp, for small businesses to signal to customers and employees they have inclusive work practices.</p> <p><b>Equip more women-led small businesses</b> through grant funding to access professional services and to use the Victorian Government Social Procurement Framework.</p> <p><b>Sponsor awards</b> for excellence in gender equity for small businesses working with peak organisations, local councils and others.</p>
<p><b>Research and leveraging data</b></p> <p>Invest in agenda-setting for gender equality</p>	<p><b>Continue to invest in research</b> to build the evidence base for action on closing the gender pay gap, particularly for small and medium sized firms.</p> <p><b>Use WGEA employer data</b> in tools such as Victoria's Social Procurement Framework.</p>



# 1. Introduction

The Victorian Government has made significant strides in its pursuit of gender equality. Victoria's Gender Equality Act (2020), Our Equal State: Gender Equality Strategy and Action Plan 2023-27 and sector-specific initiatives, such as the Building Equality Policy, are among the measures propelling Victoria forward. Nonetheless, catalysing and sustaining action on gender equality is an ongoing effort, and progress still varies widely across different sectors of the economy, industries and organisational settings.

Industrial Relations Victoria (IRV) is aware that achieving progress on gender equality is a greater challenge in some sectors of the workforce and business community compared to others. For some organisations, resources can be constrained, awareness can be limited, and incentives to take action might be weak or non-existent. Barriers to change can hamper progress.

To this end, IRV have commissioned this research project to better understand the drivers and barriers to closing the gender pay gap in private sector businesses in Victoria, with a focus on reaching beyond the organisations who are already achieving progress and leading change in this space.

This deeper dive into organisation-level change involves exploring decision-making at the organisation level and uncovering how these can be shaped by cultural norms. This approach leverages new frontiers in gender equity research and practice, by recognising the importance of motivational factors and activating tools of behavioural design to make progress on gender pay equity.

This report combines insights from research literature and data analysis with direct consultation with Victorian business owners to arrive at a set of evidence-informed, practical workplace and industry policy solutions that can be implemented by the Victorian Government to help steer organisations toward more gender equitable practice and ultimately outcomes.

## Key research questions

- **What is the size and composition of the gender pay gap and gender equality in Victorian businesses?**
- **What does the literature indicate about what works and what does not work with a focus on the root causes of inaction?**
- **What do businesses say about what works and what does not with a focus on distilling behavioural factors?**
- **What practical policy tools can be considered by the Victorian Government to equip all businesses, especially small businesses, to close the gender pay gap?**

## 1.1 Methodology

Our research methodology is summarised below with details provided in Annex 1.

### Statistical picture and literature review

A statistical picture of gender equality and pay equity was compiled drawing on data from the Australian Bureau of Statistics (ABS) and Household, Income and Labour Dynamics in Australia (HILDA) Survey for 2022, and to the extent that data permitted, Workplace Gender Equality Agency (WGEA) employer data for large firms.

Multiple strands of literature were reviewed to search for evidence on what works (and what does not) with a focus on the underlying motivators and root causes of firm behaviour. Behavioural insights were applied to profile firms according to attitudes, barriers and enablers, and awareness as a precondition to engagement and action.

### Business consultation and analysis

Mixed methods were applied to collect primary data from businesses in Victoria about the perceived importance of the gender pay gap, behavioural motivations, and what has worked

and not from a business perspective. Originally the business consultation was conceived of as a series of ten focus groups. Recruitment of research participants proved very challenging and indicates the difficulty of engaging particularly small businesses on this topic.

We used multiple channels to recruit participants including local government small business newsletters, LinkedIn advertising, Champions of Change Coalition, direct invitation via email and some industry associations, with limited success.

We pivoted to a mixed methods approach including participation in-person at a small business expo, online interviews and an online survey. This enabled collection of a richer set of data, allowing us to engage with more businesses and meet their preference for mode of engagement as well as managing timing to align with their schedules. The data and literature review were used to shape business consultations including the choice of focus group industries and the design of the interview and survey questions.

We focused our consultation primarily on small businesses and heard from:

- ❑ 108 Small businesses (under 100 employees)
- ❑ 10 Medium businesses (100-500 employees)
- ❑ 13 Large businesses (500+ employees)
- ❑ 2 Did not say

The qualitative business data was analysed by coding verbatim responses into meaningful categories, then grouping them into themes. We reflected and refined the initial themes, interpreting qualitative data results against the insights from the literature review and quantitative analysis. The qualitative data analysis prompted a revision to our original framework for understanding and segmenting businesses and developing business profiles.

### Policy design

The final step involved bringing together the collective insights to arrive at a set of potential policy tools that are implementable by the Victorian Government. This included co-designing and testing proposed policy initiatives with small business owners. The tailored set of policies recognises that firms differ not just in observable ways, such as industry, size and sector, but also in their motivation to take action on gender equality, the nature of the barriers they face, and their capacity to do so. This suite of policy tools recognises that different policy approaches are needed for different types of firms, all forming part of Victoria's collective progress towards gender equality.



## Limitations

The content presented in this report is limited to evidence that could be collated and synthesised within the timeframe of the project. A caveat to this research is that this knowledge base is constrained by a lack of rigorous evaluations and sharing of experiences publicly, particularly unsuccessful ones. Our consultation with business sheds some light on reasons why policies might not work as intended and why businesses might not take action at all. Another limitation is the use of binary classifications of gender, owing to the way that data is conventionally collected.

## 1.2 About this report

This report is organised as follows.

<p><b>SECTION 2</b></p> 	<p><b>What are the challenges?</b></p> <p>Section 2 presents new analysis on the size and composition of the gender pay gap in Victorian private sector firms. Literature about barriers and enablers to gender equality and pay equity is reviewed along with behavioural approaches.</p>
<p><b>SECTION 3</b></p> 	<p><b>What did businesses say?</b></p> <p>Section 3 presents original insights from consultation with small, mid-sized and large businesses across Victoria. It explores the perceived importance of the gender pay gap, behavioural motivations, and what has worked and not from the perspective of businesses.</p>
<p><b>SECTION 4</b></p> 	<p><b>What are the profiles of businesses?</b></p> <p>Section 4 develops a set of profiles of businesses on the journey towards closing the gender pay gap, building on organisation maturity models for diversity and inclusion, and reflecting more of the experience of small businesses.</p>
<p><b>SECTION 5</b></p> 	<p><b>What can be done?</b></p> <p>Section 5 recommends evidence-based and behaviourally-informed tools that the Victorian Government can adopt to motivate and equip all businesses, especially small businesses, to take action to close the gender pay gap.</p>

## 2. What are the challenges?

### 2.1 Statistical picture of the gender pay gap in Victoria

The gender pay gap serves as an informative metric to capture gender equality progress in the workforce. This is because the gender pay gap encapsulates a range of factors that can reflect gender-based biases, barriers and inequities. There are several ways to define and measure the gender pay gap, all of which provide a meaningful picture of the factors shaping men and women's different workforce experiences:<sup>1</sup>

**Like-for-like gender pay gaps** refer to the difference in pay between employees who do work of equal or comparable value (comparing job-to-job at the same performance standard). For example, this type of gap arises where the same job position is paid a lower rate for a female employee. This is gender pay inequity as the female employee is earning less per hour even though she is performing the same work at the same standard. This type of pay inequity is against the law, but instances can still occur when rates of pay are not transparent.

Pay inequity in like-for-like roles can arise when there is scope for negotiation and discretionary pay (such as bonus payments), or when job descriptions are ill-defined. It can also arise when a pay premium is awarded to an employee for their 'perceived' higher value (such as a belief that a worker with no career interruptions is more capable than a worker who has had family-related career breaks) even if such perceptions are unfounded.

**By-level gender pay gaps** are between women and men who do the same or comparable work (comparing responsibilities, typically the same level in the organisation hierarchy). For example, this type of gap arises where a male geologist and a female mining engineer have the same level of qualification, years of experience and number of people under management but the male geologist is paid more. In some instances, there might be a valid explanation for the pay difference, including factors not affected by gender (such as labour market supply and demand for geologists compared to engineers). However, in other instances this could be an example of gender pay inequity.

**Organisation-level gender pay gaps** are the difference between the average pay of women and the average pay of men within a single organisation. This can in part reflect the different types of jobs that men and women tend to take, which in turn reflects wider gender norms. For example, in an airline company, men might comprise the majority of pilots and engineers, while women comprise the majority of flight attendants and administration staff (who are relatively lower paid). Organisation-level pay gaps can also reflect the impact of unconscious bias resulting in men being more readily promoted and appointed to higher-paid management and executive roles. Similarly, gender norms in caregiving can result in women experiencing more care-related interruptions to their careers and discriminatory presumptions about their commitment to their job. These factors can collectively result in an organisation-level gender pay gap.

Data on within-organisation gender pay gaps among private firms in Australia is collected by the Workplace Gender Equality Agency (WGEA), but only for large employers.

<sup>1</sup> Our measurements and definitions are informed by the standards used by the Workplace Gender Equality Agency (WGEA 2024), the Commission on Gender Equality in the Public Sector (CGEPS 2024) and the Fair Work Ombudsman (FWO 2024a).



There is currently no requirement for smaller organisations to calculate or report on their within-organisation gender pay gap. However, to the extent that within-organisation gender gaps do exist, these effects will be reflected in the broader economy-wide gender pay gap metric.

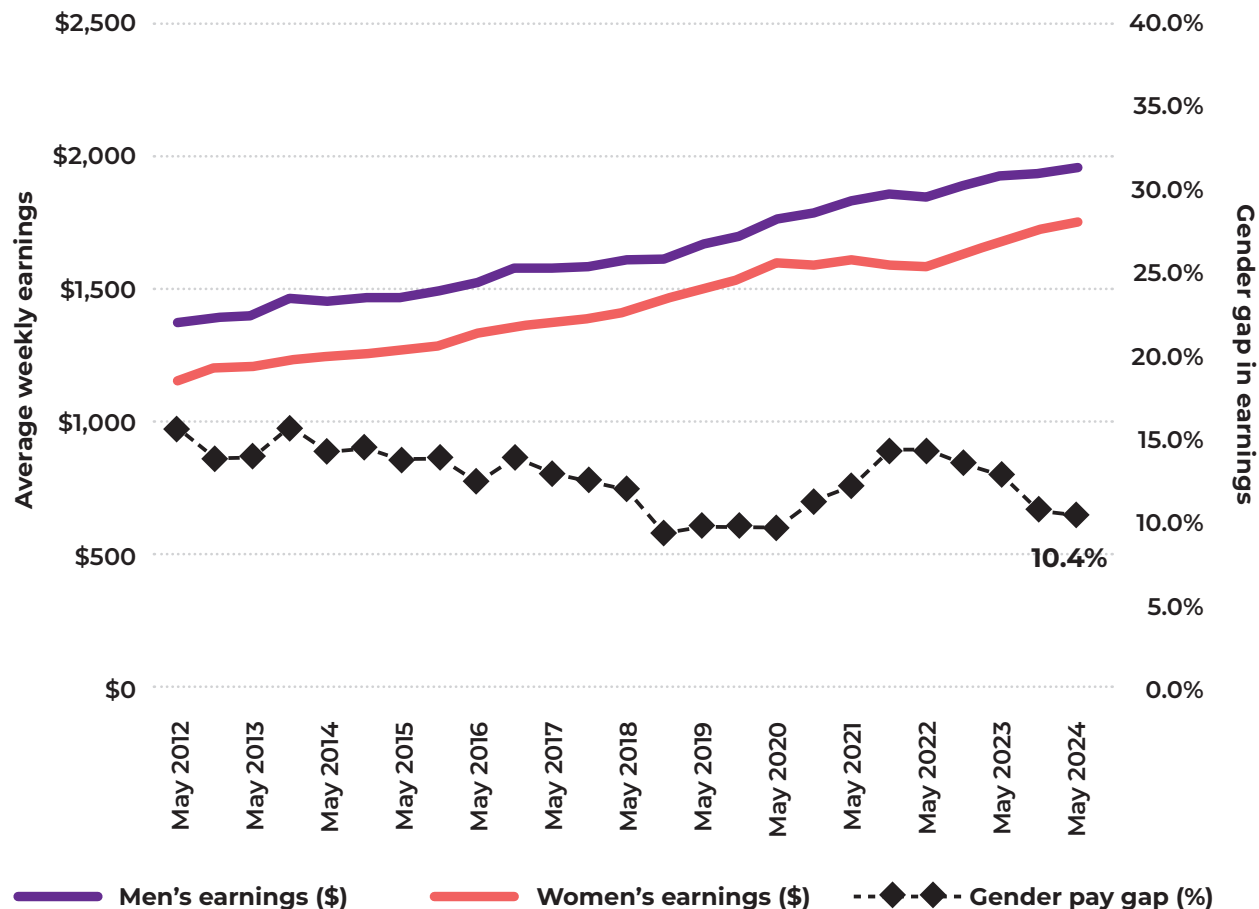
The focus of much of this report is on organisation-level gender pay gaps.

**Economy-wide gender pay gaps** refer to the difference in women’s average earnings and men’s average earnings across the entire workforce. Again, this gap can arise because of the different characteristics of the jobs that men and women tend to be employed. This can include gender-based patterns in organisation size, industry, occupation, public or private sector, union membership, wage-setting mechanisms and rates of casual employment.

### 2.1.1 Size of the gender pay gap

The economy-wide gender gap in full-time ordinary earnings in Victoria was 10.4% in May 2024.<sup>2</sup> This follows a period of disruption during the COVID-19 pandemic. During the first two years of the pandemic, Victoria’s gender gap in earnings widened as men’s average earnings increased while women’s average earnings flatlined. From May 2022, the gender gap narrowed and returned to the pre-pandemic rate as women’s average earnings increased (Figure 1).

**FIGURE 1** Gender gap in average weekly full-time ordinary earnings, Victoria (2012 to 2024)



Source: ABS Average Weekly Earnings, Australia. Seasonally-adjusted data series.

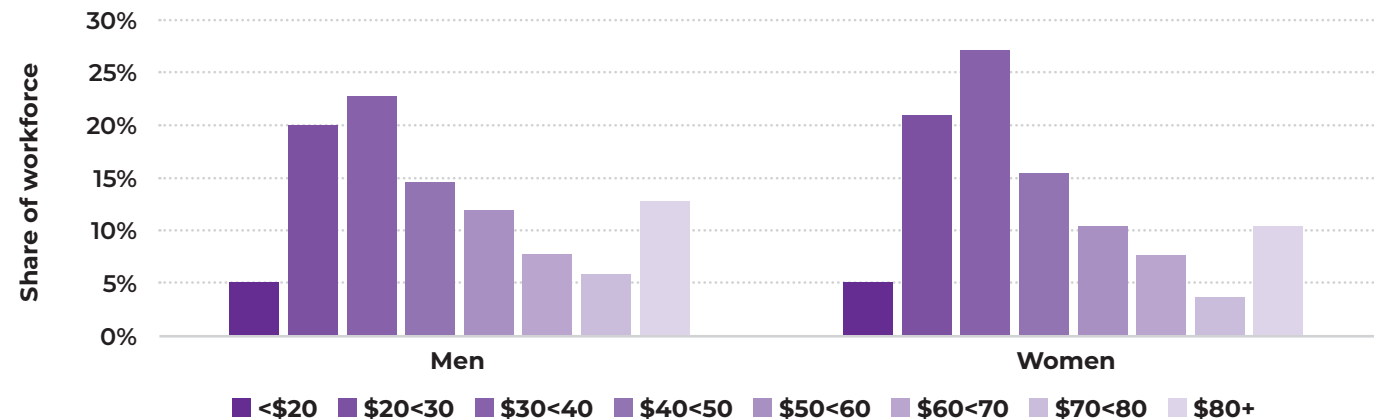
2. Based on ABS Average Weekly Earnings (May 2024).



The gap is wider when overtime hours are included, with a gender gap in total full-time earnings of 13.3%. It is even wider when part-time employees are included, with a gender gap in total workforce earnings of 27.7%.

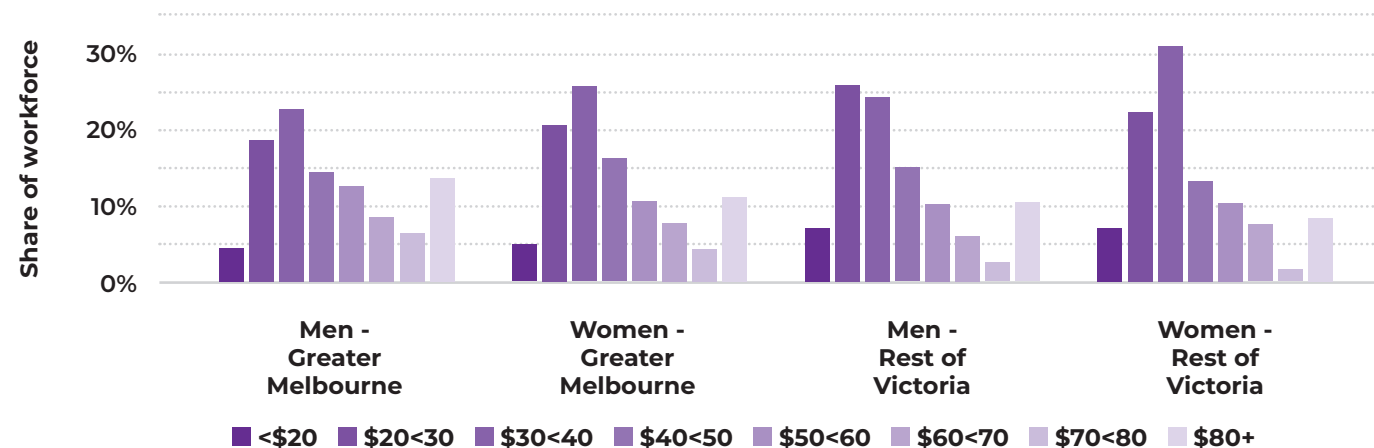
When expressed as hourly earnings, as shown in Figure 2, women's earnings are concentrated in the lower wage ranges (particularly the \$30<\$40 wage bracket), while men are over-represented at the highest wage ranges (particularly \$80 and over). When broken down by geographic region, average hourly wages are lower in regional Victoria, compared to Greater Melbourne, but the same distributional pattern between the genders persists. In regional Victoria, women's over-representation in the \$30<\$40 wage bracket is especially acute (Figure 3).

**FIGURE 2** Hourly earnings distribution by gender, Victoria (2023)



Source: ABS Characteristics of Employment, Australia. August 2023. Hourly earnings in main job.

**FIGURE 3** Hourly earnings distribution by gender, Victoria by region (2023)

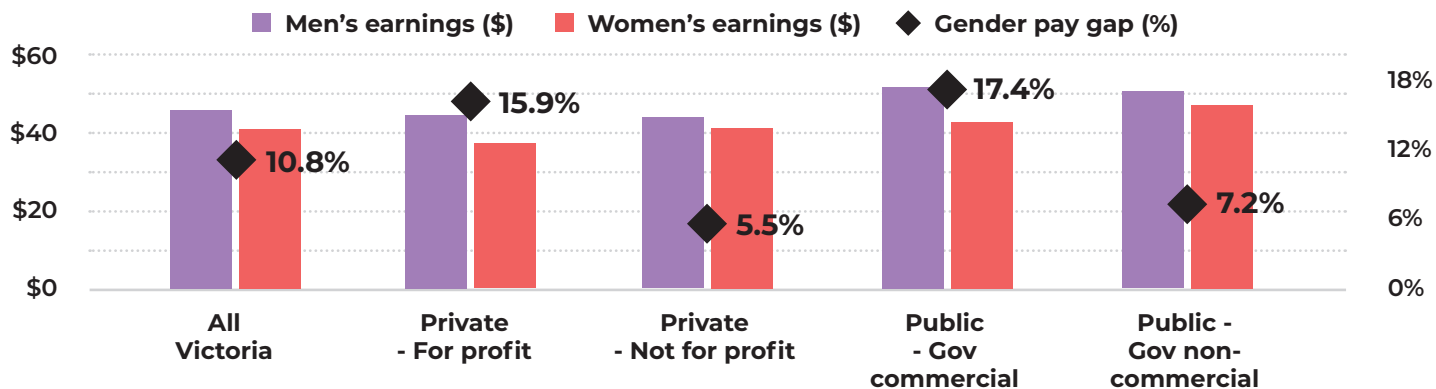


Source: ABS Characteristics of Employment, Australia. August 2023. Hourly earnings in main job.

In terms of types of employers, wage disparities between men and women overall are largest in statutory agencies operating commercially in Victoria and the private sector (for-profit), and lowest in the Victorian public and non-profit sectors (Figure 4).

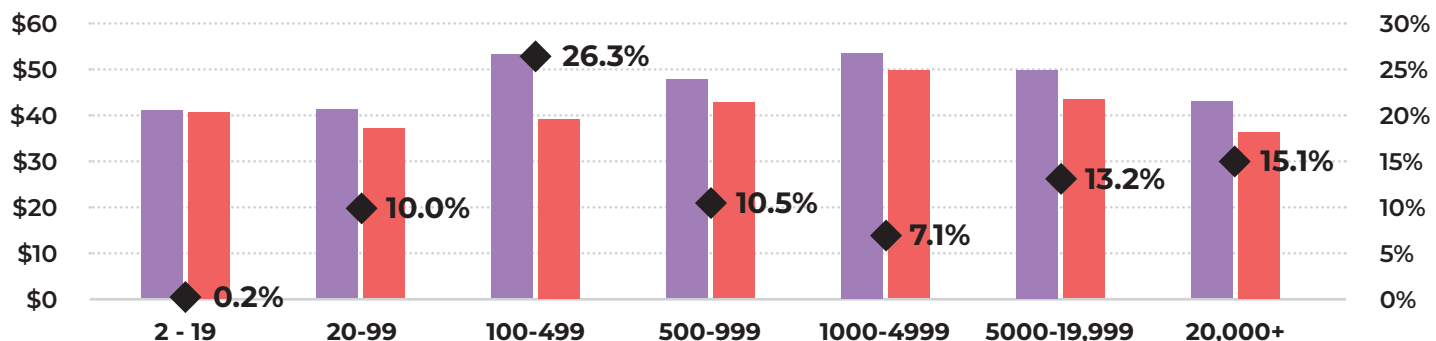
The gap between men's and women's average hourly earnings is widest among workers who are employed in organisations with 100 to 499 employees. The gap is also notably wide for workers employed in very large companies, with over 5,000 employees (Figure 5). This metric also indicates there is little difference in the overall average hourly wages of men and women within the very small business segment of the Victorian economy (that is, with fewer than 20 employees). These metrics indicate where men's and women's hourly pay differ the most on average across the economy. Nonetheless, there can still be wide gender pay gaps at the firm level, even in the small business sector.

**FIGURE 4** Gender difference in estimated hourly earnings, Victoria workforce by sector of employment (2022)



Source: Authors' calculations using HILDA Survey 2022.

**FIGURE 5** Gender difference in estimated hourly earnings, Victoria private sector workforce by employer size (2022)



Source: Authors' calculations using HILDA Survey 2022. Employer size is defined by the number of employees employed by the organisation at all locations around Australia. Private sector includes for-profit and not-for-profit organisations.

## 2.1.2 Organisation-level pay gaps

In February 2024, the Workplace Gender Equality Agency (WGEA) published employer-level gender pay gaps for the first time. WGEA computed base salary as well as total remuneration gender pay gaps based on median measurements in the 2022-23 reporting period. CEO salaries were excluded in this round.

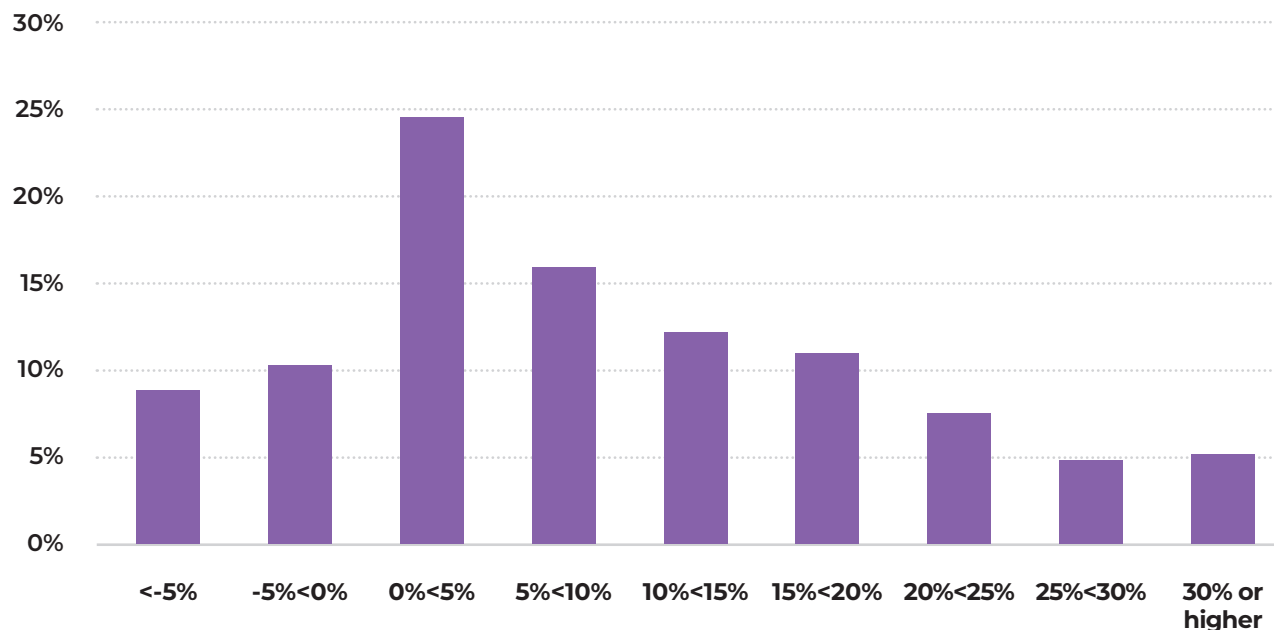
Employer gender pay gaps were published for almost 5,000 employers across Australia who employ 100 people or more. A total of 1,311 employers gave their primary location as Victoria, comprising 26% of the total number of reporting organisations. Organisations that did not comply with WGEA's reporting requirements and submit their data, as mandated under the Workplace Gender Equality Act, are not included in this data.<sup>3</sup>

The data for employers who gave their primary location as Victoria (Figure 6) show that:

- ❑ Over two in five employers have a gender pay gap of at least 10%.
- ❑ Almost one in five have a pay gap of at least 20%.
- ❑ One in twenty have a gap of 30% or greater.

At the other end of the spectrum, around one in ten have a pay gap that is in favour of women, which WGEA defines as negative by at least 5%.<sup>4</sup>

**FIGURE 6** Distribution of organisation-level median gender pay gaps, Victorian private sector employers (2022-23)



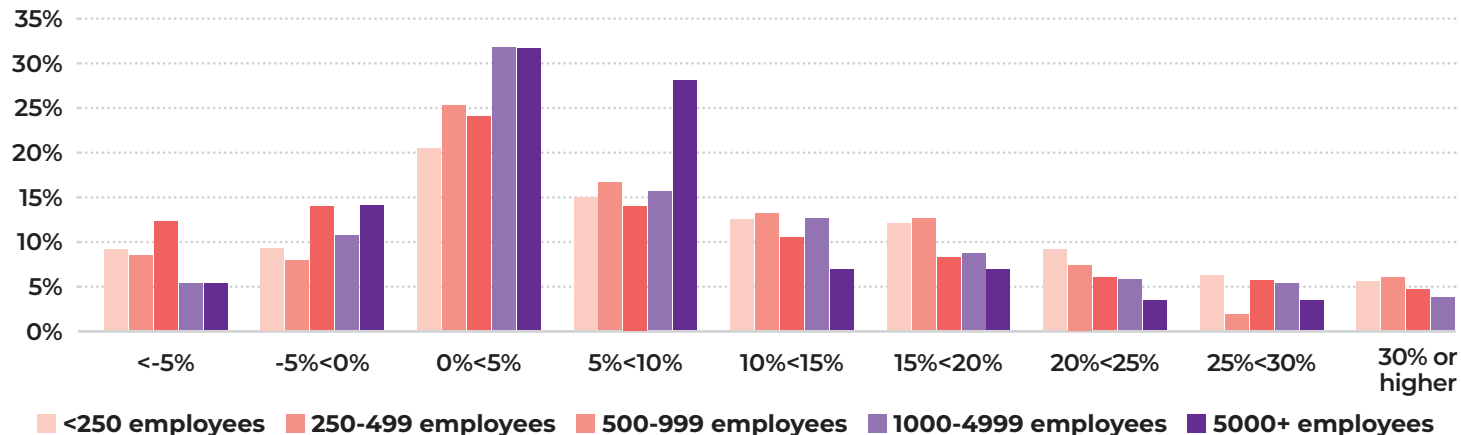
**Source:** Authors' calculations using WGEA Employer Census 2022-23. Data for private sector companies with 100 or more employees whose primary location is Victoria.

<sup>3</sup> A list of non-compliant companies is available on the WGEA website, but are not disaggregated by state/territory. <https://www.wgea.gov.au/what-we-do/compliance-reporting/non-compliant-list>

<sup>4</sup> WGEA considers gender pay gaps within and including -5% and +5% as neutral, meaning they do not significantly favour either women or men.

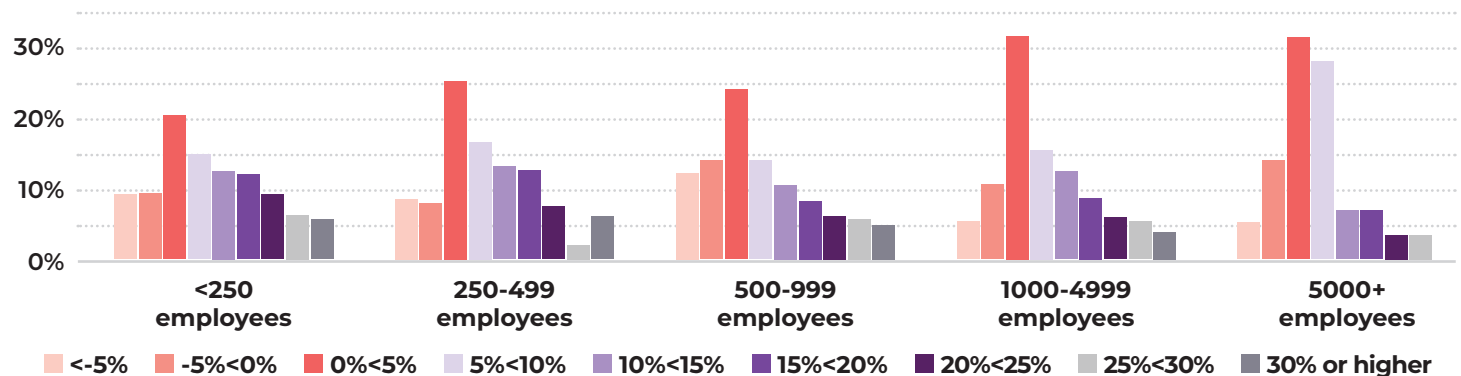
Disaggregated by employer size, organisations with fewer than 250 employees or between 250 to 499 employees make up the majority of organisations with the widest gender pay gap brackets (Figure 7). Larger-sized organisations comprise the majority of organisations in the narrowest brackets. An alternative way of expressing this data, which disaggregates by gender pay gap bracket, shows that the smaller organisations, with fewer than 250 employees, have a broader spread in the median values of the gender pay gaps, including both the lowest and highest pay gap categories (Figure 8). In comparison, larger organisations tend to be more clustered around the 0%<5% bracket. This suggests there is wider breadth of variation and differences between organisations within the mid-sized business sector.

**FIGURE 7** Distribution of organisational size, Victorian private sector employers, by organisation-level median gender pay gap (2022-23)



Source: Authors' calculations using WGEA Employer Census 2022-23. Data for private sector companies with 100 or more employees whose primary location is Victoria. Percentages for each pay gap category sum to 100%.

**FIGURE 8** Distribution of organisation-level median gender pay gap, Victorian private sector employers, by employer size (2022-23)



Source: Authors' calculations using WGEA Employer Census 2022-23. Data for private sector companies with 100 or more employees, whose primary location is Victoria. Percentages for each employer size sum to 100%.

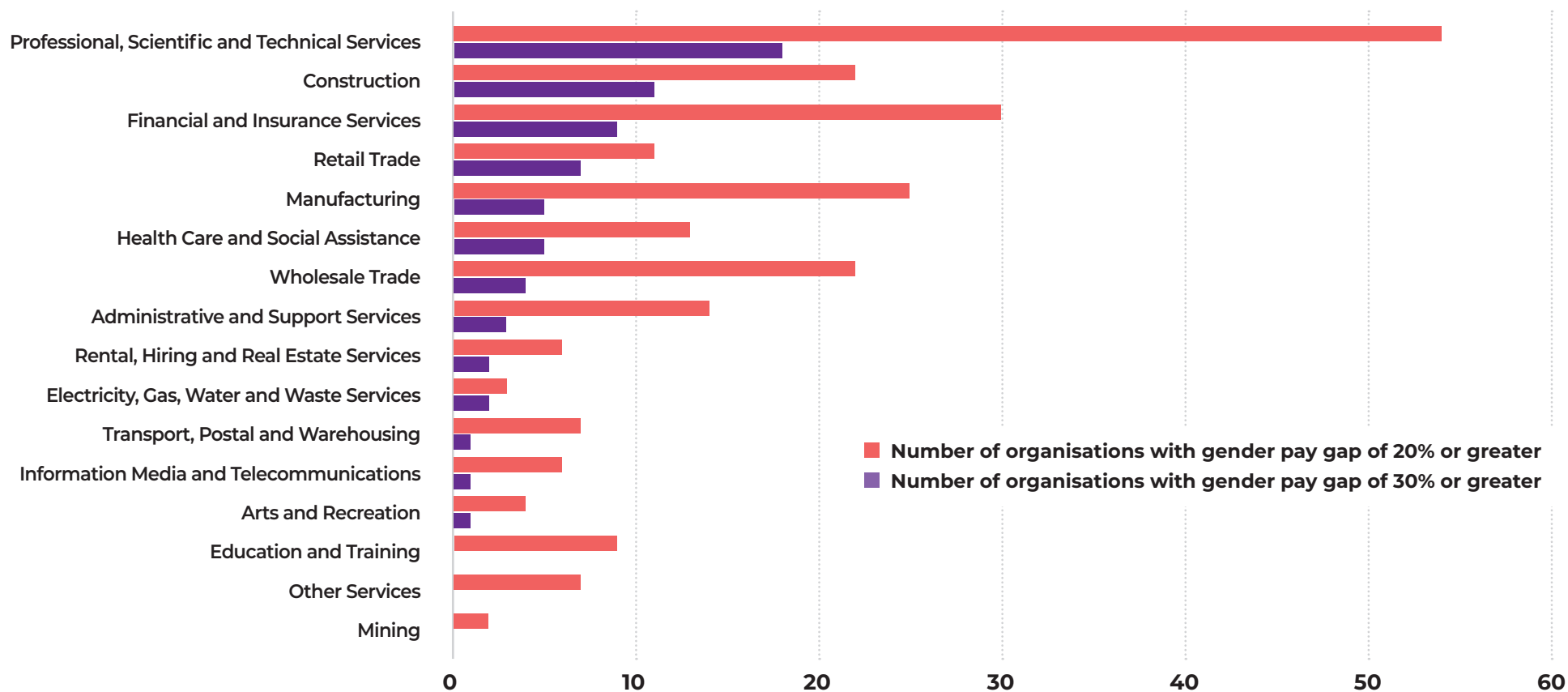


A count of the number of organisations that report a gender pay gap in the widest brackets, disaggregated by industry, provides a further indication of which industries to focus on

(Figure 9). Within the Professional, Scientific and Technical Services industry in Victoria, there are 54 companies that have a gender pay gap of 20% or wider. Of these, 18 companies have a gap above

30%. The Construction industry has 22 companies with a gap of at least 20%, of which 11 have a gap exceeding 30%.

**FIGURE 9** Number of organisations with largest median gender pay gaps, Victorian private sector employers, by industry, 2022-23



Source: Authors' calculations using WGEA Employer Census 2022-23. Data for private sector companies with 100 or more employees whose primary location is Victoria. Gender pay gap for base salary. Industries are listed in order of highest counts in the range of 30% or greater.

### 2.1.3 Source of the gender pay gap in private firms

In this section, we unpack the various factors that are contributing to Victoria's overall gender pay gap, using an econometric method called 'decomposition analysis'. This technique equips us to identify the broad, economy-wide forces that determine the gender pay gap, as well as to detect potential signs of like-for-like and organisation-level pay gaps, although these should be treated as indicative only.

To analyse the factors driving hourly wages in private firms, we use a linear regression to estimate a wage function.<sup>5</sup> We then apply a decomposition methodology (Oaxaca-Blinder model) that enables us to distinguish between:

- **Compositional effects:** the gender gap in wages that is due to differences in men's and women's characteristics and circumstances (for example, average level of education or most common occupations). In economic analysis, this is commonly referred to as the 'explained' component. It can reflect factors that are within the control of firms (such as how many women are appointed to

managerial roles) but can also reflect factors beyond the direct control of the firm (such as the low number of women in the potential recruitment pool in traditionally male-dominated industries).

- **Coefficient effects:** the gender gap in wages that is due to men and women experiencing a different premium (or penalty) for the same characteristic or circumstances (for example, men and women with the same years of experience, but men's experience is valued and compensated more highly). In economic analysis, this is commonly referred to as the 'unexplained' component, in the sense that such discrepancy cannot be rationally justified or legitimately 'explained'. These effects reflect inequities between men's and women's experiences and treatment, and point to barriers and biases that firms can do something about.

The 'unexplained' component is commonly interpreted as discrimination. However, compositional effects can also be a result of discrimination and bias. For example, gender stereotypes in society that steer men into higher-earning executive jobs and steer more women into lower-earning care-giving roles, will come

through the model as 'explained' compositional effects, yet can also be a reflection of the biases, stigma and inequitable treatment that both men and women experience if they were to depart from these socialised gender norms.

Factors contributing to the gender pay gap in Victorian private sector firms are summarised in Table 1. Annex 2 contains a full explanation of the methodology, econometric results and a table comparing the results for the Victorian private sector with Victoria as a whole, and with Australia.

5. Further to our estimation of wages, our model also controls for sample selection into employment (using a technique called a Heckman two-stage equation), as per standard labour market analysis.

**TABLE 1** Factors explaining the gender pay gap in Victorian private sector firms

Factor	Explanation
<b>Widening the gap</b>	
<b>Wage setting mechanism</b>	More men than women are employed on individual agreements (higher average wage). <sup>^</sup> More women than men are employed on awards and collective bargaining/enterprise agreements (lower average wage). <sup>^</sup>
<b>Occupation</b>	More men than women are employed as managers (higher average wage). <sup>*</sup>
<b>Industry</b>	More men than women are employed in construction (higher average wage), <sup>^</sup> more women than men are employed in accommodation and food services (lower average wage), <sup>^</sup> men employed in wholesale trade experience higher wages than women in this same industry. <sup>*</sup>
<b>Sector</b>	Men employed in the for-profit private sector experience higher wages than women in the same sector. <sup>*</sup>
<b>Employer size</b>	Men experience higher wages than women in mid-sized businesses (100<500 employees). <sup>*</sup> Proportionally more women than men are employed in very large organisations (20,000+ employees nationally) (lower average wage rates, compared to mid-sized organisations with 100<500 employees). <sup>^</sup>
<b>Union membership</b>	Men who are union members experience higher wages than women who are union members. <sup>*</sup>
<b>Education and training</b>	More men than women hold vocational qualifications (higher average wage than no post-school qualifications) <sup>^</sup> (but offset by gender differences in field of study/training). <sup>^</sup>
<b>Age</b>	More men than women are employed on individual agreements (higher average wage). <sup>^</sup> More women than men are employed on awards and collective bargaining/enterprise agreements (lower average wage). <sup>^</sup>
<b>Narrowing the gap</b>	
<b>Education and training</b>	More women than men hold university qualifications (higher average wage than no post-school qualifications) <sup>^</sup> but there are gender differences in field of study/training. <sup>^</sup>
<b>Occupation</b>	More women than men are employed as professionals (higher average wage). <sup>*</sup>
<b>Employer size</b>	Proportionally more men than women are employed in very small organisations (2-19 employees nationally) with lower average wage rates, compared to mid-sized organisations with 100<500 employees. <sup>^</sup>

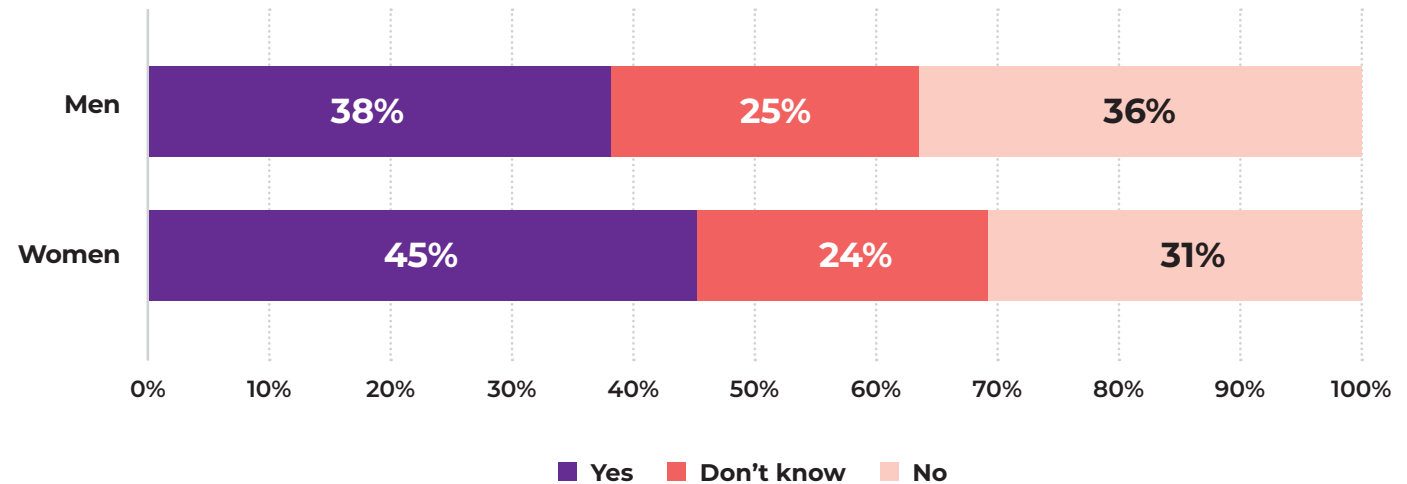
**Note:** Symbols denote <sup>^</sup>compositional effect and <sup>\*</sup>coefficient effect as defined in Section 2.1.3 above.

### 2.1.4 Gender equality policies and practices

A helpful proxy measure for an organisation's level of proactivity on gender equality policies is whether or not the employer provides paid maternity and paternity leave, beyond mandated government-provided parental leave entitlements. While a worker's eligibility for such a policy can be dependent on other individual-specific factors outside of this analysis (such as their length of service or being employed on a casual contract), we inspect the data for broad patterns of difference between industries, occupations and employer sizes.

Around 38% of men and 45% of women working in the Victorian private sector are employed in an organisation which provides paid maternity leave above the government minimum. However, another one-quarter are uncertain of their entitlements. The remaining 36% of men and 31% of women work in an organisation that does not have access above mandated minimum entitlements funded by the government (Figure 10).

**FIGURE 10** Availability of employer-provided paid maternity leave, Victoria private sector workforce (2022)

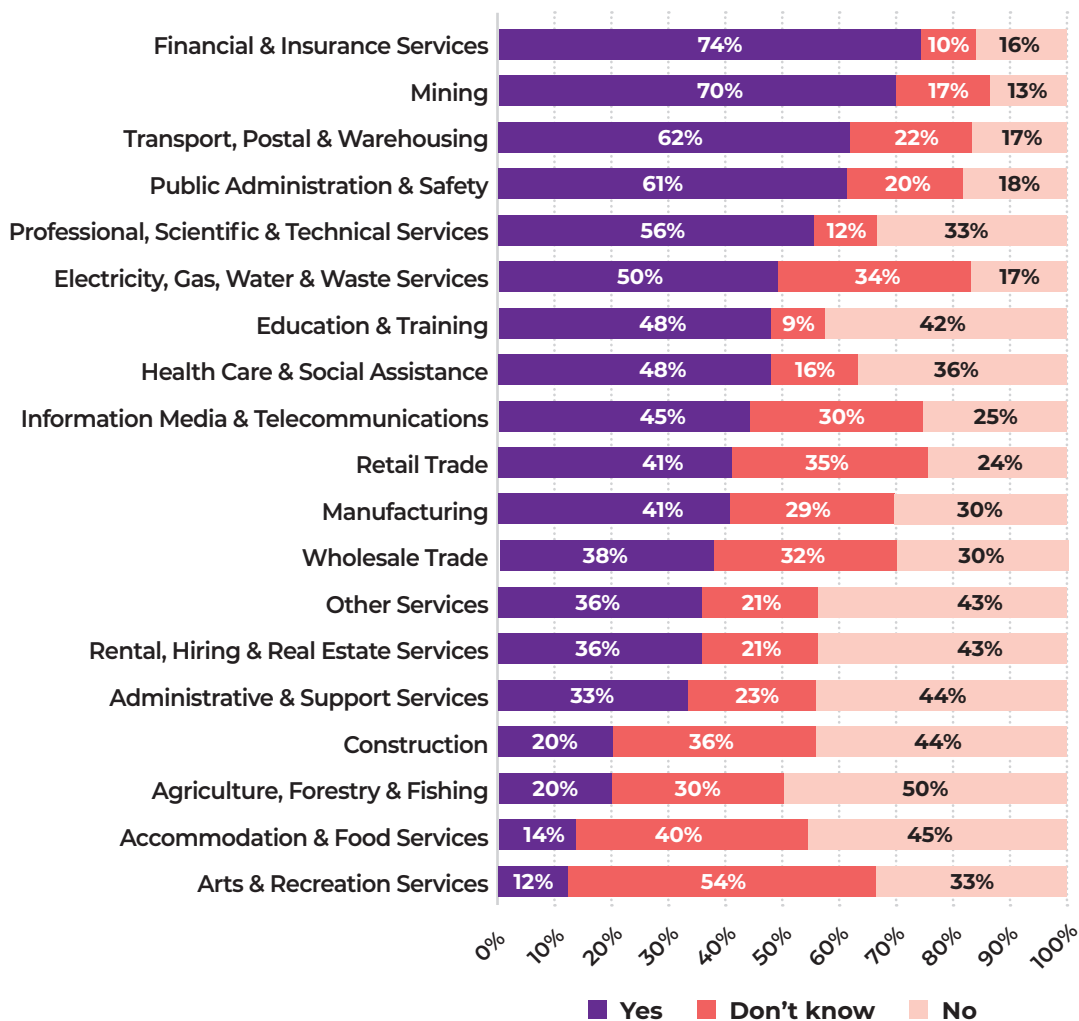


**Source:** Authors' calculations using HILDA Survey 2022. Data is based on responses to the survey question: "Following is a list of conditions and entitlements that employers sometimes provide their employees. Please indicate whether you, or other employees working at a similar level to you at your workplace, would be able to use these if needed." Responses are population-weighted.

Access to this work-family policy is strongly patterned by industry and occupation. Provision of paid maternity leave is lowest in the industries of Arts and Recreation Services; Accommodation and Food Services; Agriculture, Fishing and Forestry; and Construction (Figure 11). In terms of occupation, provision is lowest among the male-dominated categories of Labourers;

Drivers and Machinery Operators; and Trades and Technician Workers (Figure 12). This disparity appears to be strongly explained by the high degree of uncertainty that exists in these industries and occupations concerning workers' eligibility for these workplace policies.

**FIGURE 11** Availability of employer-provided paid maternity leave, Victoria private sector workforce, by industry (2022)



Source: Authors' calculations using HILDA Survey 2022. Industries are listed in order of prevalence of policy.

**FIGURE 12** Availability of employer-provided paid maternity leave, Victoria private sector workforce, by occupation (2022)



Source: Authors' calculations using HILDA Survey 2022. Occupations are listed in order of prevalence of policy.

The availability of paid maternity leave is much lower, and rates of uncertainty about workers' entitlement are also much higher, in smaller-sized organisations (Figure 13). In Victorian small businesses with fewer than 20 employees, the majority of the workforce either do not have access or do not know whether they do. In Victorian businesses with between 20 to 99 employees, around one-third have access while another one-third are unsure.

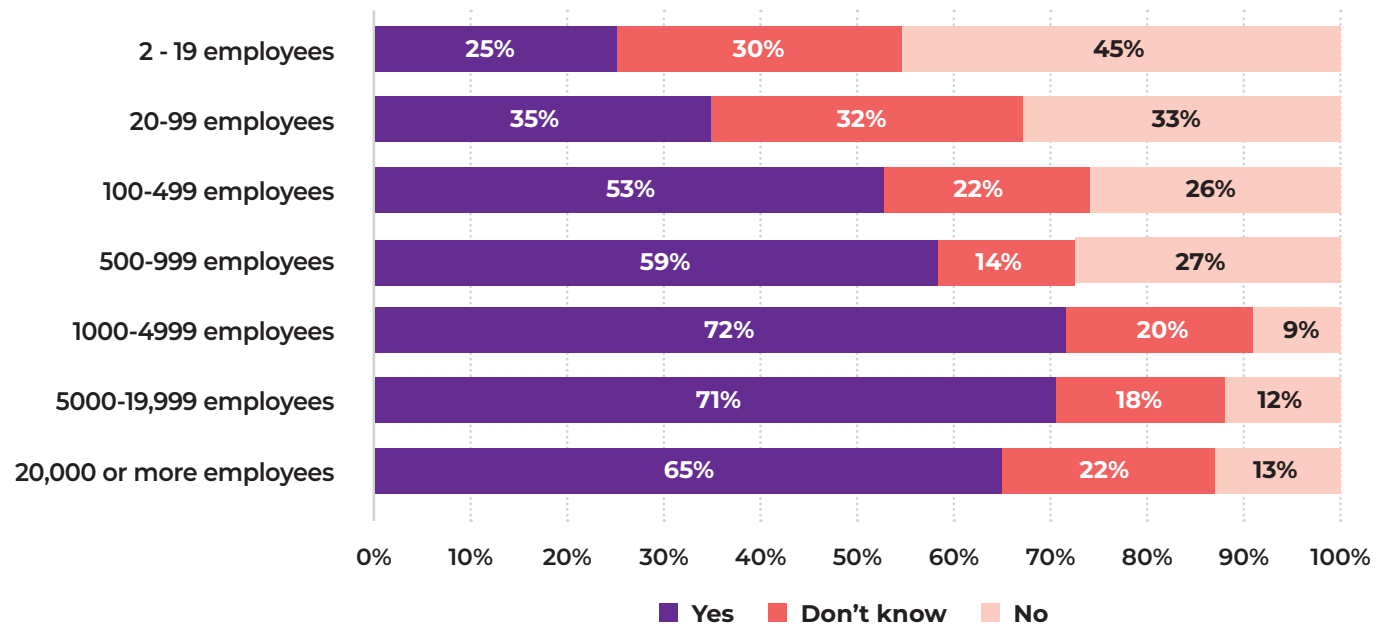


Similar analysis to measure the availability of paid parental leave, employer-provided childcare, and the availability of flexible working arrangements shows rates of provision are generally lower compared to paid maternity leave, but the patterns by industry, occupation and employer size are very similar to those of paid maternity leave.

Counter to proactive policies to support gender equality, an organisation’s cultural norms and practices can also generate impediments to gender equality. One marker is the prevalence of an organisational culture of excessively long working hours. A workplace culture that expects and rewards staff for working excessive hours has the effect of marginalising and disadvantaging those who have caring responsibilities, who are predominantly women. This culture of ‘greedy work’ has been identified by Nobel Laureate economist Claudia Goldin as a factor contributing to the gender wage gap, because overtime hours are generally remunerated at a higher hourly rate and rewarded through systems of promotion and appointments to senior positions (Goldin 2021).

In this analysis, we use HILDA Survey data to examine the prevalence of long hours, a proxy for ‘overtime’ culture, within the private sector workforce. Australia’s

**FIGURE 13 Availability of employer-provided paid maternity leave, Victoria private sector workforce, by employer size (2022)**



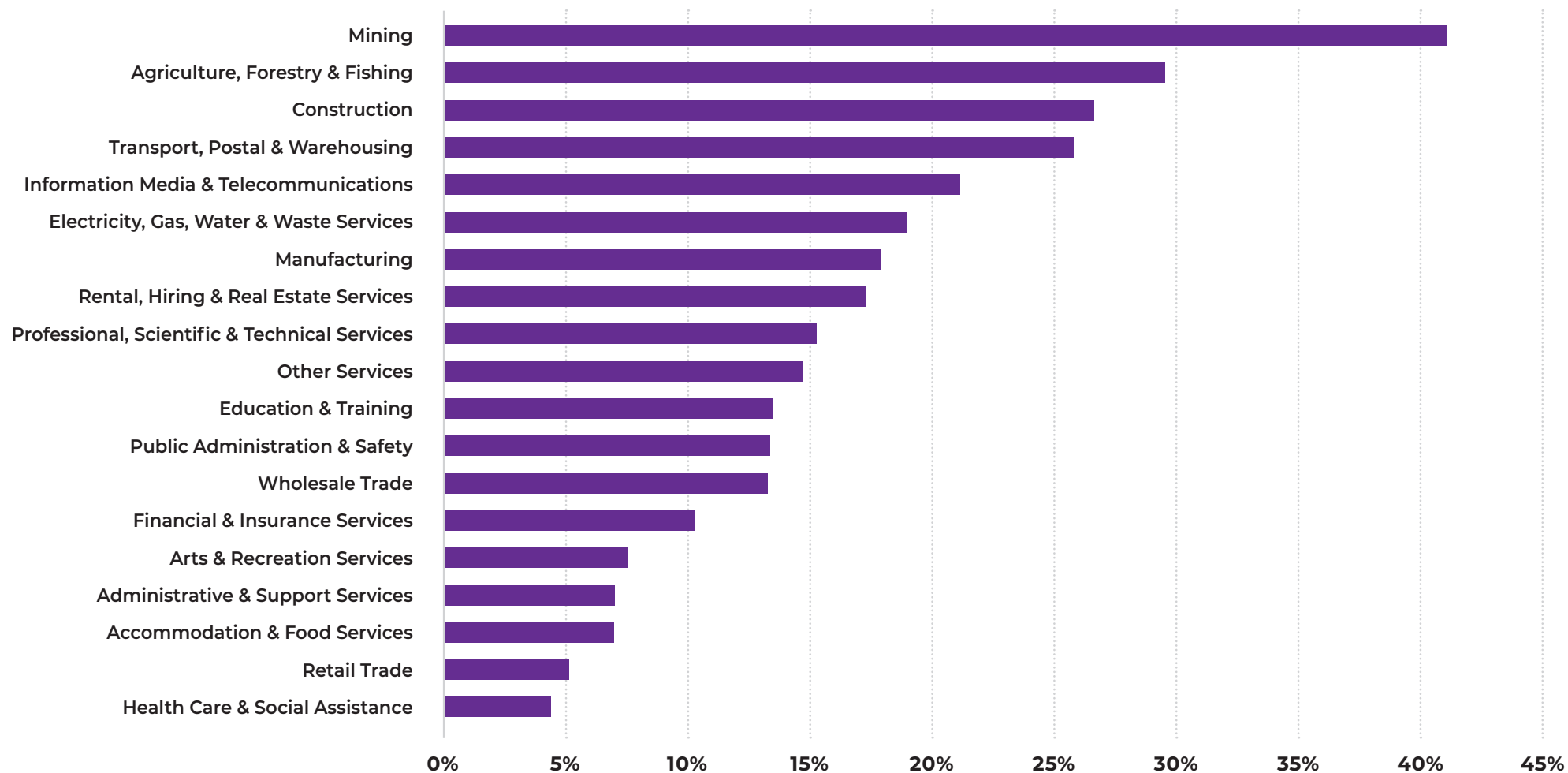
Source: Authors' calculations using HILDA Survey 2022.

National Minimum Standards of Employment refers to 38 hours as the maximum number of hours that an employer may request or require an employee to work in a week, unless the additional hours are considered reasonable (Fair Work Ombudsman 2024b).

We define long hours as a worker usually working 50 hours or more per week in their main job. Overall, around 12% of Victoria’s private sector workforce and around 14% of the private sector workforce nationally fall into this definition.

Using the nation-wide dataset for statistical robustness, rates of long work hours are particularly prevalent in Mining; Agriculture, Fishing and Forestry; Construction; and Transport, Postal and Warehousing with at least one in four employees working long hours. Within Victoria, the following industries are among the top industries for rates of long work hours in the private sector: Transport, Postal and Warehousing; Agriculture, Fishing and Forestry; Construction; and Rental, Hiring and Real Estate Services (Figure 14).

**FIGURE 14** Rates of long work hours, Victorian private sector workforce, by industry (2022)



Source: Authors' calculations using HILDA Survey 2022. Share of workforce in each industry that usually work 50 hours or more in their main job. Excludes self-employed with no other employees. This computation is based on private sector workforce nationally, and not limited to Victoria, to produce statistically reliable estimates.

## KEY TAKEAWAYS

### Statistics on the gender pay gap in Victoria

- Victoria's gender pay gap shows that full-time working women earn 10.4% less on average than men across the state (based on ABS average weekly full-time ordinary earnings, May 2024).
- The gender gap is mirrored at an hourly wage basis, calculated to be 10.8% for Victoria using the Household, Income and Labour Dynamics in Australia (HILDA) Survey for 2022. This disparity in hourly earnings is much wider in Victoria's private sector at 15.9% and government commercial sector at 17.4%, compared to 7.2% in the public sector and 5.5% in the not-for-profit sector.
- The main factors contributing to Victoria's gender pay gap include: occupation and industry segregation; gender differences in wage-setting mechanisms; and identifiable instances where men experience wage premiums whereas women do not. These factors also reflect unequal care patterns. These insights come from wage decomposition analysis using HILDA data.
- The widest within-organisation gender gaps in earnings in Victoria are particularly prevalent in the industries of Professional, Scientific and Technical services, Construction, and Finance and Insurance services (based on WGEA data collected from businesses with 100 or more employees).
- The prevalence of employer-paid maternity leave, as one measure of a business' motivation and action on gender equality, shows that less than half of Victoria's female workers in the private sector have access to this benefit above minimum government entitlements (HILDA data).
- A culture of long work hours can impede workplace gender equality. Victorian industries with high rates of long work hours are transport, agriculture, fishing and forestry, construction and real estate services (HILDA data).



## 2.2 Barriers and enablers to addressing pay equity

There are a range of evidence-based measures that can reduce gender pay gaps including: firms conducting a gender pay gap analysis (Cassells and Duncan 2018; BCEC-WGEA 2023); setting targets and developing action plans (Cowper-Coles et al. 2021); publishing wage information in job advertisements (Duchini et al. 2022); government requirements for gender pay gap reporting and transparency (Bennedsen et al. 2019); and firms addressing gender bias in recruitment and promotion (Gaucher et al. 2011, Lucas 2021).

Benchmarking and industry standards are useful for creating objective standards by which pay can be negotiated and set. This can avert large discrepancies in how individual organisations set their pay rates (WGEA 2017). Addressing structural factors contributing to job segregation and unequal care work are also important (KPMG 2022). Furthermore, research has identified a need for firms to move from simply being aware and measuring their gender pay gap, to taking intentional action to close it (BCEC-WGEA 2023, PM&C 2021). A more detailed literature review on what works to reduce the gender pay gap is contained in Annex 3.

Much of the existing research focuses heavily on large and medium-sized firms, with smaller firms featured less within the research, often due to the fact they fall out of scope of regulation and reporting requirements and are therefore not captured in data collection exercises. However, VEOHRC has identified a need for smaller firms, and indeed firms of any size that are lagging, to first deepen their understanding of what equal pay means. Finding cost-effective actions that are appropriate for smaller-sized firms to take is also a separate research and policy challenge from a focus on large-sized firms and leading organisations (VEOHRC 2021).

A reason for these differences is not simply a matter of operational scale and resourcing, but also a different set of motivations and incentives. This brings us to a key insight from behavioural science: the importance of understanding the underlying motivations or behavioural factors affecting an organisation's actions. In essence, barriers to firms taking action on gender pay equity may be structural (e.g. lack of resources or awareness) or psychological (e.g. lack of intrinsic motivation as expressed in gendered values/beliefs).

These motivational factors can be embedded within organisational culture as well as

embodied within individuals. As such, the role of leaders is important. If leaders within firms are not intrinsically motivated to engage in gender pay equity, they are less likely to take action in the first place, and any action that is taken is less likely to be effective or to be sustained.

The sections below review multiple strands of literature to more deeply understand why firms are taking action or not to address gender pay gaps.

### 2.2.1 Attitudes and values

People's attitudes towards gender equality and diversity have been found to be patterned to their core values, as defined in psychological literature (Schwartz 2012). Anglim et al. (2019) identified that support for diversity and equity initiatives is strongest among people who place stronger weight on universalism as a value (that is, who prioritise upholding the welfare of *all* people).

By contrast, support is weakest among those who place greater weight on conservatism (preservation of tradition) and self-enhancement in their personal set of values (that is, who prioritise the pursuit of their own interests, success and dominance over others). These contrasting profiles are consistent with PLAN International Australia's Gender Compass segmentation analysis. The 'trailblazer' profile (which are found to characterise around one-fifth of Australians) are observed to value fairness and equality over other values. At the other end of the spectrum, a 'rejector' segment (also one-fifth of Australians) is observed to value tradition, rules and existing norms (PLAN 2023).

At the organisational level, there is evidence that leaders who hold more progressive attitudes towards gender roles are more likely to prioritise gender equality initiatives within their organisations (London et al. 2019, Rindfleish 2018). In a similar vein, organisational cultures that value and foster innovation, diversity and inclusion are more likely to support gender equality initiatives, such as work-life balance and fair and transparent compensation policies (Lippe et al. 2019). Barrett (2012) found the values, attitudes and previous work experience

of owners and managers of Small and Medium Enterprises (SMEs) was important in terms of their treatment of women.

The following charts review the strength of gender attitudes in Victoria using the HILDA 2019 data on individuals' opinions about gender roles in society. Respondents are asked to indicate their level of agreement with a set of statements on a scale from 1 (strongly disagree) to 7 (strongly agree). A higher level of agreement denotes a more traditional, and less egalitarian, attitude.

The statements to reveal gender attitudes are:

- ❑ "It is better if the man earns the money and the woman takes care of the home and children"
- ❑ "Mothers who don't need the money shouldn't work"
- ❑ "It is not good for the relationship if the woman earns more than the man"
- ❑ "Men make better political leaders than women do"
- ❑ "Couples should equally share household and childcare if they both work"<sup>6</sup>

For the purposes of this analysis, an index has been created which averages the numerical responses for these five gender equality attitude statements. The index score has been presented against the national average to aid interpretation as the raw scores tend to be compressed in their level values.

Victorians, on average, have more egalitarian attitudes towards gender roles than the Australian average. Women hold more egalitarian attitudes than men, both nationally and in Victoria (Figure 15).

6. Values inverted for this statement, so that a higher value denotes a less egalitarian attitude, in alignment with the wording of the other statements..



**FIGURE 15** Attitudes to gender roles in society, relative to national average (2019)



**Source:** Authors' calculations using HILDA Survey 2019. Value larger than zero indicates more traditional attitudes than national average. Values less than zero indicates more egalitarian attitudes than national average. The average level of agreement of all people in Australia is used as the benchmark for comparison, and therefore take a value of zero in the graph.

When responses are disaggregated according to people's sector of employment, traditional attitudes are more strongly held among men employed in the private for-profit sector (Figure 16).

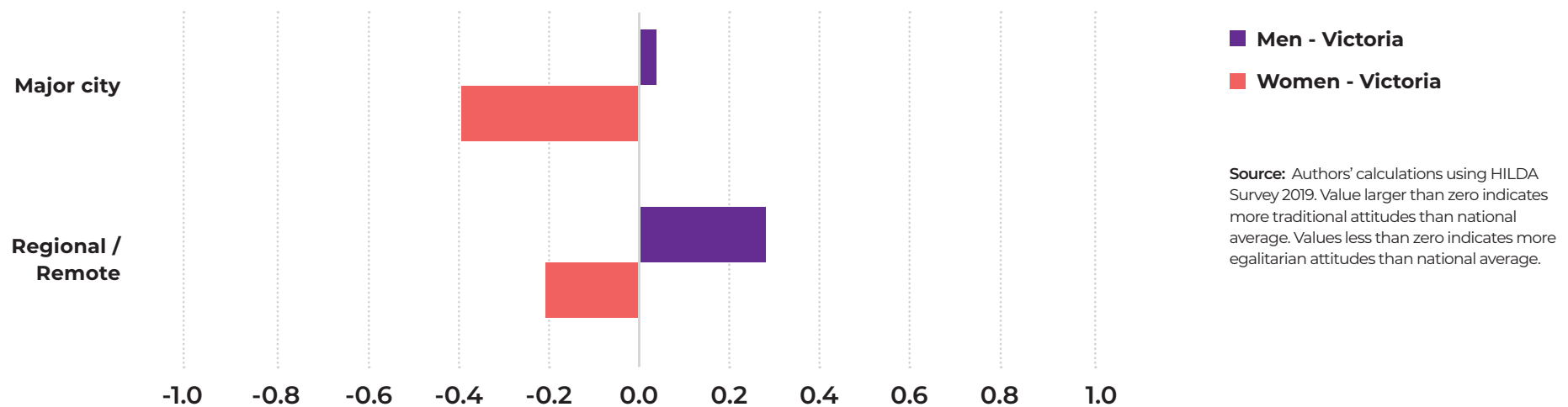
**FIGURE 16** Attitudes to gender roles in society, relative to national average, Victorian workforce by sector of employment (2019)



**Source:** Authors' calculations using HILDA Survey 2019. Value larger than zero indicates more traditional attitudes than national average. Values less than zero indicates more egalitarian attitudes than national average. Due to the low number of observations in the dataset, the figures for Government Business Enterprises should be interpreted as indicative only.

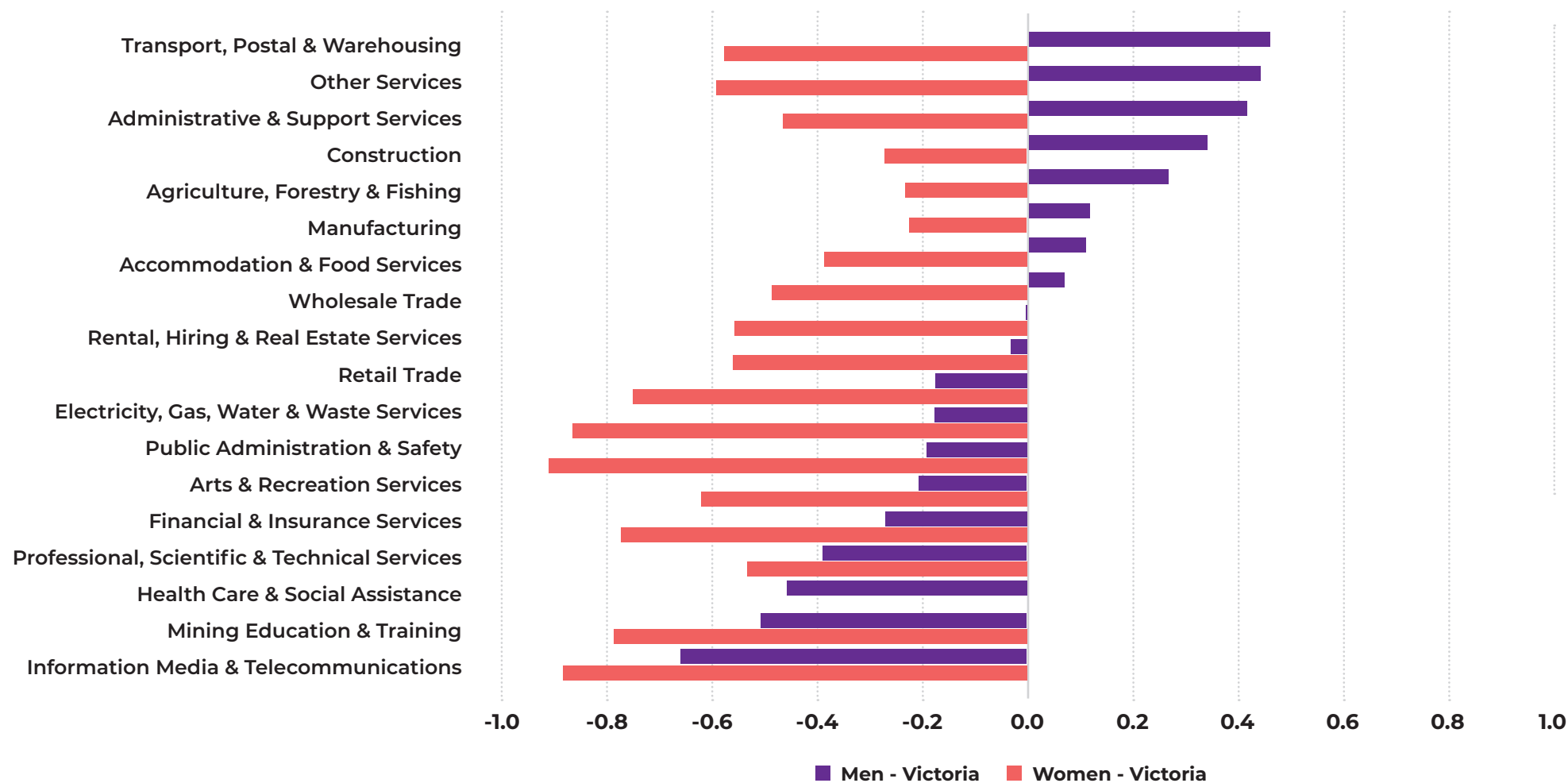
Men in regional and remote areas of Victoria tend to hold stronger traditional attitudes, while women in the city tend to hold stronger egalitarian attitudes (Figure 17). The tendency for women to hold more egalitarian attitudes than their male peers persists, irrespective of the geographic location. For regional differences, we compute the value for the broader Victorian population (that is, not limited to the workforce only), as these community attitudes can also determine women's labour force participation rates and whether women are in the paid workforce.

**FIGURE 17** Attitudes to gender roles in society, relative to national average, Victorian population by geographic region (2019)



By industry, traditional attitudes are relatively more prevalent in Victoria among men in: Transport, Postal and Warehousing; Other Services (includes Car Repairs and Maintenance and Machinery Repairs); Administrative and Support Services (includes Building Cleaning and Gardening Services); Construction; Agriculture, Fishing and Forestry; and Manufacturing. In every industry in Victoria, women have more egalitarian attitudes than their male counterparts (Figure 18).

**FIGURE 18** Attitudes to gender roles in society, relative to national average, Victorian workforce by industry (2019)



Source: Authors' calculations using HILDA Survey 2019. Value larger than zero indicates more traditional attitudes than national average. Values less than zero indicates more egalitarian attitudes than national average. Industries are listed in order of men's average level of agreement with traditional attitudes. The attitudes of women in Mining are omitted due to too few observations.

## 2.2.2 Resistance to change

The vast literature on change management acknowledges that overcoming individual resistance to change is vital for success. Flood et al. (2021) note that resistance is an inevitable, although undesirable response, to advancing gender equality or progressive social change. As summarised in Risse (2024), factors that can explain people's resistance to change include loss of control, uncertainty and the imposition of additional work. This resistance can take various shapes, from denial that gender inequality is a problem to indifference to outright hostility. Guthridge et al. (2023) describe how initiatives to improve opportunities for women can run the risk of triggering fear, resentment, jealousy

or anger from some men who may feel threatened by actions that seek to shift the status quo.

Behavioural science identifies the tendency for people to prefer things to stay the same rather than to change ('status quo' bias) and to prefer to minimise losses than to seek gains of the same size ('loss aversion') as contributing to people's resistance to change. These are examples of cognitive biases that can skew people's assessment of the value of change more sharply towards underestimating the benefits and placing higher weight on the perceived costs (Behavioural Insights Team 2017). Moreover, people tend to focus more on the present than the future ('present' bias), creating resistance to changes where they see no

immediate tangible benefits, only costs.

One implication for policy arising from these behavioural insights is that gender pay equity initiatives might be more readily received if it is conveyed to organisations, not as a radical change, but rather as a means of steady progress. To appeal to people who place high value on traditionalism and conserving the status quo, gender equality initiatives can be presented as a way to build on an organisation's past achievements and solidify its legacy (Risse 2024). Behavioural design elements can be embedded into existing systems to support the communication of initiatives in ways that minimise and de-emphasise notions of active change, reform or transformation.

**TABLE 2 Challenges and advantages for SMEs (VEOHRC)**

Challenge	Advantage
Limited HR resources	Less bureaucracy
Lower turnover	Flat organisational structure
Short-term planning	Flexible and responsive to change
Vulnerable to external changes	Direct communication
Informal systems and processes	Visible leadership

### 2.2.3 Specific challenges (and advantages) of SMEs

VEOHRC's (2021) identification of specific challenges and advantages for SMEs in achieving equal pay are set out in Table 2. Less access to human resources know-how and resources was also raised by SMEs in a forum organised by Economic S4W (2013), along with low profitability and variable cash flow making it difficult to meet an ongoing commitment to higher wages. Legislative and policy settings were not seen as impeding progress to pay equity in SMEs, nor were they sufficient to bring it about – resources need to be targeted specifically to SMEs (Economic S4W 2013)

### 2.2.4 Factors that can either threaten or sustain progress

#### FACTORS THAT THREATEN PROGRESS

Factors observed to threaten progress on gender pay equity and closing the gender pay gap in private firms include:

**Economic crisis.** A gender analysis of the impacts of the COVID-19 pandemic on the Australian economy found that women shouldered the bulk of job losses (Risse and Jackson 2021) and that the gender pay gap

trajectory worsened in the wake of the pandemic, particularly in Victoria (Risse 2023). Gender equality initiatives can also take a back seat during an economic crisis. The UK for example, suspended mandatory gender pay gap reporting during COVID-19.

Mukerjee and Kramer (2024) found a significant decline in gender diversity on corporate boards in the wake of the global financial crisis (GFC). By comparison, Healy and Ahamed (2019) found the gender pay gap in UK financial institutions fell marginally following the GFC and pressure from unions and state institutions to reform. But the gender pay gap in financial services remained high overall and substantially higher at the top of the earnings distribution.

**Leadership transitions.** Leadership changes can have both positive and negative impacts on gender equality in the workplace. The presence of women in managerial positions, the adoption of transformational leadership styles, and the implementation of certain work-life balance practices are associated with improved gender inclusivity (Huffman et al. 2010, Rindfleisch 2018). However, beliefs about fixed gender roles, particularly among male leaders, can perpetuate gender inequality (Humbert et al. 2019). Therefore, leadership changes that aim to enhance gender equality must be deliberate in undoing entrenched biases and promoting intentionally inclusive practices.

**'Gender equality fatigue'.** In 2020, WGEA detected a decline in employer action on gender equality, particularly action to close the gender pay gap. WGEA data indicated just over half (54%) of (large) employers that undertook a pay gap analysis took action to close the gap. Acknowledging 2020 was a challenging year with COVID-19, WGEA observed employers becoming complacent or affected by 'gender equality fatigue'.<sup>7</sup>

Gender fatigue is a passive form of backlash against gender equity measures. It occurs when people are tired of hearing about gender equality and being forced to participate in (what they see as) ineffective, box-ticking initiatives, which pulls their efforts and resources away from other activities that they perceive as more important.

While active backlash such as hostility is an obvious form of resistance to the progression of gender equality, gender fatigue is more nuanced and arguably more difficult to address (Williamson 2020). A potential strategy to combat resistance is to adopt short and long-term agendas. For instance, achieving a cumulative series of small and immediate wins via gender equality policies and procedures, while effecting structural changes in the longer run via transforming gendered ways of thinking and working (Ely and Meyerson 2000).

7. WGEA (2020) 'New WGEA data shows employer action on gender equality has stalled', 26 November 2020. <https://www.wgea.gov.au/newsroom/new-wgea-data-shows-employer-action-on-gender-equality-has-stalled>



**Misalignment with identity and values.**

The pursuit of gender equality can be opposed because gender equality is seen as a threat to traditional values: it is perceived as a disruption of the traditions and legacy that an organisation takes pride in, or as a threat to men's opportunities for success. In small business settings, the importance of maintaining tradition, and passing on the family business to sons not daughters, can be a factor that impedes women's opportunities to carry on the family business in some family cultures (Cosson and Gilding 2021).

**Social norms.** Social norms are the unwritten rules that govern the behaviour of individuals within a society. These norms shape expectations about what is considered acceptable behaviour and can significantly influence attitudes, values and actions. Social norms significantly contribute to the perpetuation of the gender pay gap. Traditional gender roles and gender stereotypes influence the distribution of unpaid care work, occupational segregation, and perceptions of fairness in pay (Humphries 2009, Auspurg et al. 2017, Scarborough and Moeder 2022).

**Workplace norms.** Overwork and overtime, and the degree of regulation in different occupations also play crucial roles (Cha and Weeden 2014, Peetz 2015). Many accept these norms as the

status quo, for example, they consider traditional gender roles and occupational segregation, particularly in STEM areas, as 'natural' and not a problem they can solve. They argue that when social norms shift, so will gender equality (Williamson 2020).

**FACTORS THAT SUSTAIN PROGRESS**

On the other hand, factors that can contribute towards progress and sustain it include:

**Constantly improving the enabling environment.** Employers note that plans to reduce the gender pay gap are long-term in nature (Murray et al. 2020). Tackling the gender pay gap therefore requires an enabling environment that sustains and rewards effort. Changes to the WEGA Act to facilitate public reporting of employer gender pay gaps, among other initiatives, built on a decade of behaviour change, to accelerate progress on gender equality (PM&C 2021).

**Presenting gender equality as a journey.** Maturity frameworks are commonly used by businesses to benchmark the performance of processes and management styles. Applied to gender equality, a maturity framework can be helpful for reflecting the reality that organisations often embark on an iterative journey involving

multiple stages of progress (Washington 2022, BCEC-WGEA 2023). In terms of behavioural devices, presenting the pursuit of gender equality as a step-by-step process can be less overwhelming for organisations and more achievable.

**Alignment with a businesses' priorities and values.** Similar to the pursuit of gender equality, the pursuit of environmentally sustainable practice can be improved when organisations recognise the benefits align with their existing goals, priorities and value systems. An analysis of SMEs' experiences in adopting environmentally sustainable practices found that the following factors matter for SMEs: cost reduction, better customer relations, improved competitiveness and profitability, and a better firm image (Sohns et al 2023). These factors could be potentially motivating factors for firms in the gender equality space too.

### 2.2.5 Approaches that have not worked or had negative effects

There is limited literature on approaches that have failed or backfired as these cases tend not to be publicised. As some examples, training programs about workplace diversity and unconscious bias show little evidence of changing behaviour in isolation but can be effective in raising awareness (Atewologun et al. 2018). Reminders of past injustices against women as a justification for equal opportunity can backfire by undermining men's support, while not affecting women's reactions to the policy (Hideg and Wilson 2020). There is also no clear evidence that appealing to the business case is a sufficient catalyst for change among resistant or lagging organisations (Risse 2024).

Evidence of approaches that have not worked, backfired or had unexpectedly negative effects point to the need to consider the broader context in which policies are being applied.

## KEY TAKEAWAYS

### Barriers and enablers to addressing pay equity

- **Support for gender equality is strongest among people who hold more universal values and progressive views and weakest among those emphasising tradition and existing norms.**
- **Traditional values and attitudes are more prevalent among men in Victorian industries of transport, other services (including repairs), administration and support services (including commercial cleaning and gardening) and construction (HILDA data).**
- **Behavioural tendencies – such the ‘status quo’, ‘loss aversion’ and ‘present’ biases – result in resistance to change. Gender equality fatigue, backlash, denial and complacency are also challenges to overcome.**
- **Other factors that can threaten progress on gender equality include economic crisis, leadership changes, misalignment of values, and social and industry norms.**
- **Sustained progress can be shaped by constantly improving the enabling environment, presenting gender equality as a journey, and alignment with business priorities and values.**





### 3. What did businesses say?

We built on the academic research insights and data analysis undertaken in the first stages of the methodology to set the context for our direct engagement with business owners and employers. The literature on motivation-based enablers and barriers to gender equality action revealed that we should expect a distinctive cross-section of different perspectives, opinions, degrees of engagement and spectrums of understanding across business owners.

We used three broad dimensions – level of awareness, degree of intrinsic motivation, and level of gender equality actions – to create an initial matrix of business profiles. Our statistical analysis pointed us towards the types of firms that we might expect to fall within these different profiles (such as on the basis of industry, size and regionality) and we sought to include this range of profiles within our consultation sample.

Our background research on the behavioural factors that shape firm behaviour and act as enablers and barriers guided our design of survey questionnaire items, interview questions and focus group discussion prompts. In the course of our consultation, we identified ways to refine our initial approach to profiling businesses. In doing so, this sharpened our approach to identifying policy solutions that are tailored to firms' specific circumstances, constraints, priorities and challenges.

We focused our consultation primarily on small businesses. We heard from:

- ❑ 108 Small businesses (under 100 employees)
- ❑ 10 Medium businesses (100-500 employees)
- ❑ 13 Large businesses (500+ employees)
- ❑ 2 Did not say

We note that the recruitment process to consult with large businesses meant that we necessarily targeted those in People/HR roles who are much more likely to be supporters of gender equality.

The businesses consulted were in industries of significance for understanding the gender pay gap in Victoria (refer Annex 1). In particular, Professional, Scientific and Technical Services (36%), Information Media and Technology (25%) and Retail Trade (12%), with the remainder spread across a range of industries, including Construction and Healthcare and Social Assistance, but unfortunately few in Manufacturing.

There is a strong and distinct difference in the ways in which large and small businesses understand, conceive of, and address the gender pay gap. Large businesses we consulted have been addressing the pay gap over many years. Large businesses had instituted equitable pay policies such as paid parental leave and pay reviews and now are looking to continue to push the boundaries of their equitable policies and practices.

Large businesses have significant expertise in their people functions with a deep and nuanced understanding of the complexity of addressing gender equality contextualised for their sector and their business. In contrast, the majority of small businesses did not understand the definition of the gender pay gap and did not prioritise it in their business.

Given this distinction we have divided the themes for what's working and not working to address the gender pay gap by medium and large (100+ employees) and small businesses (under 100 employees).

## 3.1 Medium to large businesses

### 3.1.1 What's working to reduce the gender pay gap?

Consultation with medium to large businesses found strong support for four measures to reduce the gender pay gap: 1) conducting gender pay gap analysis, 2) benchmarking and industry standards on pay, 3) addressing gender bias in recruitment and promotion, and 4) addressing structural factors such as gender stereotypes and paid parental leave. These are consistent with several of the measures identified in our literature review (Annex 3).

#### COMBINATION OF MEASURES SUSTAINED OVER THE LONGER-TERM

We heard from big businesses that reducing the gender pay gap is a product of both micro policies and processes focused on individual pay gaps (i.e. pay equity reviews and salary equity in recruitment) and macro policies and processes that promote a more equitable workplace and culture including flexible working, paid parental leave, women in senior leadership programs, and gender equality strategies and plans.

There are a range of policies and processes used by large businesses to change workplace culture and reduce the gender pay gap, with little

consistency between them. Some businesses said that mentoring programs are helpful, while others were adamant that mentoring is not useful but networking with female peers is. While many of the strategies adopted by big businesses such as mentoring and sponsorship have a sound evidence base for effectiveness, the industry and organisational context matters.

In some industries, offering paid parental leave beyond the government funded program is not the norm for businesses. In other industries, such as professional services, businesses are continuing to improve their paid parental leave policies, in some cases increasing it to 26 weeks and removing the distinction between primary and secondary carer. Many businesses spoke about encouraging more male employees and leaders to take paid parental leave and measuring its uptake.

We consistently heard from businesses that have successfully reduced their gender pay gap of the importance of *sustaining efforts over time* and adopting a package of policies and practices to improve gender equality. Businesses noted that it takes time particularly for broader workforce and culture initiatives to be effective and to have a measurable impact. This is consistent with the literature suggesting that gender equality initiatives should be introduced slowly and steadily, instead of radically, in order to better appeal to those with more traditional attitudes and/or want to preserve the status quo (Risse 2024).

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“Box ticking will give you short term results but not long-term embedded results, gender equality has got to be embedded in overall diversity and inclusion strategy as well as in gender equality strategy. There are multiple levels to that commitment and to the work. It's about taking a holistic approach, not just doing one thing.”

~ LARGE LEGAL SERVICES FIRM

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#### PAY REVIEW PROCESSES AND DATA ANALYSIS TO DRIVE CHANGE

Large businesses noted the importance of measurement and data to track progress, as well as identify and communicate issues to the business to help achieve gender equality goals. They agreed that measuring, collecting and analysing data on the gender pay gap in the pay review process is a powerful tool to highlight the issue to senior leaders and middle management. When the gender pay gap data analysis is embedded into processes to empower decision makers in recruitment, remuneration and promotion processes, this is when data becomes a powerful tool for change. Data is critical to building the business case for change and challenging resistant attitudes and behaviours.



Larger firms spoke about robust pay review processes where business leaders were empowered with gender pay gap analysis tools to inform decision making on their team's remuneration. These tools enabled business leaders to see the impact of any proposed recruitment and promotion decisions on the gender pay gap of their team and make informed choices.

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“When you see numbers, it drives action. When you set expectations and responsibilities and give them the right (pay gap analysis) tool, there's change. People are more convinced by data and can see when it (the gender pay gap) is real.”

~ **LARGE CONSTRUCTION COMPANY**

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### SETTING TARGETS AND QUOTAS

However, there were mixed views on the value of setting targets for the gender pay gap and not all agreed that they are useful. Instead of a firm target, some businesses set the expectation of improvement, a reduction in the gender pay gap and give business leaders the flexibility to make decisions for their team's remuneration with that expectation. These businesses also established a process where team leaders who were not making progress in reducing the gender pay gap had to explain the lack of progress to a senior HR leader.

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“We don't have targets. We have data on where you've started and where you've finished and then you're expected to improve. This approach has worked for us. Over the last four years we've shown that our gap is closing significantly.”

~ **LARGE CONSTRUCTION COMPANY**

“The most pushback I've received has been around targets. People feel like they have failed if they don't meet targets. Possibly anti-cultural for them, because (this company) is less data driven than other firms.”

~ **MID-SIZE PROFESSIONAL SERVICES FIRM**

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Large businesses spoke positively about the conversation that the new WGEA reporting has prompted publicly about their business' gender pay gap, while noting that the reporting has its limitations.

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“There was a lot of noise about the (gender pay gap) data when it came out this year but then nothing since.”

~ **LARGE CONSTRUCTION COMPANY**

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### BENCHMARKING PAY ACROSS ROLES WITHIN AN INDUSTRY

Big businesses identified the challenge of comparing remuneration across different disciplines and functions. The development and use of job frameworks to compare roles across different disciplines in large businesses is a critical enabler to analysing data and reducing the gender pay gap. Strong frameworks and pay benchmarking enables salary banding of roles, introduces greater consistency and reduces the risk of compounding bias from starting salaries through career progression in bonuses and promotions.

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“You can't quantify what the gender pay gap is without a good framework. You can't compare an IT role with an HR role. They seem different but they are the same when you put them in a good framework. You have to look at the gender pay gap from discipline areas and across functions as well.”

~ **LARGE CONSTRUCTION COMPANY**

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### EQUITABLE RECRUITMENT AND PROMOTION PRACTICES

While there are a range of 'macro' initiatives that enable greater gender equality, critical to reducing the gender pay gap is to establish equitable

recruitment processes enabling an 'even-playing field' to start with, and reducing the risk of compounding pay inequity as someone rises through the organisation.

Some of the equitable practices businesses are using to mitigate the gender pay gap are:

- Ensuring new starters for the same role are paid at the same rate, generally female applicants will ask for a lower starting salary than their male counterparts.
- When one person in a cohort seeks promotion, this triggers the process for the whole cohort not just the one person (usually male).
- Questioning bias in the reasoning for promotion or bonuses. For example, if the perception of higher performance is based on longer working hours or delivery of better outcomes.

Equitable practices should be tailored to the industry, the industry's gender balance and behavioural norms, and the organisation's strategy, culture, history and ways of working. For example, on-site work experience is a norm within construction, giving new potential workers the opportunity to try the industry.

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“We know that females don't perform the best in interview situations. So what we've done is try to address this through work experience, which is kind of like a 'back door' into the industry. It gives someone an opportunity to settle into a team ... and establish themselves. They then have to go through the same recruitment process as everyone else, but it gives them a chance to have a more even playing field in the interview process. We have targets of 100% females for work experience.”

~ **LARGE CONSTRUCTION FIRM**

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Similarly, a number of businesses acknowledged the importance of specific programs to support women in business to develop their careers and build the number of women in senior leadership.

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“The second thing that has worked in providing more opportunities for our females is that equity program of work, with female-specific networking and development programs. It's about getting into the program and utilising it.”

~ **MID-SIZE PROFESSIONAL SERVICES FIRM**

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## LEADERSHIP FROM THE TOP ON EQUALITY AND INCLUSION

Almost all large businesses spoke about the importance of senior leadership in gender equality as a key enabler for change particularly in terms of senior leaders demonstrating their authentic understanding and intrinsic motivation on matters of gender equality.

A belief in the importance of gender equality can be signalled by gender equality being embedded into a company's core values, mission, identity or strategic goals, rather than as a secondary interest.

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“Eight years ago, the CEO said that he believed in gender equality. Since then, he's mandated inclusion of people with a disability and First Nations peoples. The tone has been set at the top. There's a willingness to try new things.”

~ **LARGE PROFESSIONAL SERVICES FIRM**

“Gender equality is a strong strategic goal. (Gender equality) was there in some capacity 7 years ago but there is definitely more now. The CEO sharing the progress we're making, that was even before the WGEA data came out.”

~ **LARGE CONSTRUCTION COMPANY**

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This is consistent with the literature on the importance of leadership and champions who hold more progressive attitudes towards gender equality (London et al. 2019, Rindfleish 2018) as agents for change. It also suggests that having more women in leadership positions can be a mechanism to promote greater inclusivity (Huffman et al. 2010, Rindfleish 2018, Glass 2018, Gould et al. 2018 and Ng and Sears 2017).

**COMMUNICATING THE IMPORTANCE OF EQUALITY AND INCLUSION**

People and HR leaders spoke a little about resistance to gender equality initiatives within large organisations. Some businesses argued that we need to reframe the business case for equality away from the moral case of being ‘the right thing to do’, to instead focus on the way it can deliver on strategic business objectives like innovation, improved decision making, and better employee retention. The literature does not show clear evidence that appealing to the business case works for resistant or lagging firms (Risse 2024). Nonetheless, our consultation with large businesses suggests it still appears to be a lever for some companies as a way to get people on board when the moral case does not resonate, or to maintain their buy-in.

More broadly, the key point that Human Resources leaders made was the importance of communicating and educating people, including senior leadership about why gender equality and

the gender pay gap matters. Supporting this communication and education with data from the business, particularly down to business unit level is also critical to persuade managers to take action.

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“I’ve personally called every single manager involved in the (sponsorship for women) program to communicate why it’s important and to manage any potential resistance.”

~ LARGE CONSTRUCTION COMPANY

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This personalised approach is consistent with the literature on overcoming individual resistance to change, and the importance of activating intrinsic motivation and genuine understanding. This is particularly pertinent when implementing initiatives to improve opportunities for women that can run the risk of derailment by others, notably men, who may feel threatened by actions that shift the status quo or are perceived to diminish their opportunities for success (Guthridge et al. 2023, Flood et al. 2021).

**3.1.2 What’s contributing to the gender pay gap?**

Consultation with medium to large businesses focused less on the internal factors that could be contributing to the gender pay gap and instead focused on the broader structural barriers to

making progress. The key issues were 1) lack of female workforce in male-dominated industries, 2) over-representation of women in lower-paying skills, 3) parenting and family responsibilities causing interruption to careers and pay progression, 4) long working hours, 5) gender stereotypes and 6) broader organisational context and culture that hinders progress.

**LACK OF FEMALE WORKFORCE IN MALE-DOMINATED INDUSTRIES AND TRADITIONAL SKILLS AREAS**

One of the critical barriers noted by multiple businesses is the challenge of attracting, recruiting and retaining women in male-dominated industries and/or skills such as construction, trades, tech and energy. Multiple businesses told us that despite setting and incentivising recruitment targets, the lack of female workforce makes it very challenging for businesses to significantly shift their gender pay gap in certain skills. The challenge of attracting and recruiting female staff persists even within an organisational context that has strongly equitable practices with generous paid parental leave, flexible work, rigorous pay review processes and other measures.

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“Where we fall down (in the gender pay gap) is that one third of the business is tech. That is our biggest area and the majority of people in the tech team are men. We have targets and incentives to meet those targets. We can build up an internal workforce but there’s a limit to it.”

~ **LARGE FINANCIAL SERVICES FIRM**

“Where we come unstuck is within the industry of engineering. We have 19% females studying engineering at university and that number has been consistent for about 30 years and it has not changed. We’re trying to get a balanced workforce without a balanced starting point. It’s hard to find talent when we’re all (engineering firms) competing to do the same thing.”

~ **MID-SIZED ENGINEERING FIRM**

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**GREATER PROPORTION OF WOMEN IN LOWER PAYING FEMALE-DOMINATED SKILLS OR ROLES**

A key barrier for improving the gender pay gap is to address the high proportion of women who are employed in traditionally female-dominated occupations and industries that are generally lower paid. Occupation and industry segregation was also identified as a key factor contributing to the overall gender pay gap in Victoria in our statistical analysis (see section 2.1.3).

Positions in the businesses consulted such as executive assistants, paralegals, retail salespeople, healthcare assistants and nurses, and bank tellers were largely female-dominated and comparatively lower paid. A high proportion of women at the lower paid end of the workforce results in a higher gender pay gap. Businesses recognised the answer to closing the gender pay gap is not to reduce the number of women working in these roles, but rather to increase the number of women in senior leadership.

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“Our workforce composition is 71% women, but we still have a gender pay gap because when you strip the legal roles out, a lot of our secretarial and paralegal and administrative roles are done by women. That is an industry wide phenomenon that will take generations to change.”

~ **LARGE LEGAL SERVICES FIRM**

“We have a lot of roles at the junior level that are mostly Executive Assistants. All female, none are male. That’s a challenge because it’s a difficult thing to change.”

~ **MID-SIZED PROFESSIONAL SERVICES FIRM**

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These gender disparities in occupational roles at senior level also arise when men’s career progression accelerates at a faster, and less impeded pace, than their female counterparts. This can be fuelled by the biases embedded in current approaches to hiring, promotion, wage negotiations and leadership appointment decisions.

**LOSING WOMEN WHEN THEY START A FAMILY**

While businesses have largely been successful at introducing greater equity into the graduate recruitment process, many businesses identified a critical career period around 5-7 years at a firm where women in the business start questioning how they can manage both a career and a family. Businesses identified that this is a critical period where they start to lose women, despite having built a significant pipeline through the graduate recruitment process.

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“Where we’re losing women is between having babies and returning to work part-time. Getting the part-time work isn’t the challenge, it’s getting the role that gives you the experience to keep you moving throughout your career is the challenge. Women get a bit tired of it. They get sick of coming in and fighting for their position in the workplace and we lose female engineers within the industry because they get sick of the fight, it’s exhausting.”

~ **LARGE ENGINEERING FIRM**

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Businesses are trying to address the issue through ensuring there are senior women who are parents as role models and programs to support a smooth transition back from parental leave, but the issue persists.

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“I used to say that you can’t be what you can’t see but now you can and it’s still an issue. We do storytelling, we do panel events. We are way above industry with paid parental leave...”

~ **LARGE CONSTRUCTION COMPANY**

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### **LONG WORKING HOURS AS INDUSTRY OR ORGANISATIONAL NORM**

One reason women are leaving business when they get to more senior levels could be due to the long hours required to do the job. Businesses told us that women are questioning whether they can have a family and continue to work the hours that they have in the past. Industry or organisational norms around long hours means that women perceive that they cannot progress in their career without putting in the hours.

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“Why can’t we retain females at senior level? Client demands, cyclical, seasonal, end-of-year deadlines around audit season. It means working the hours that are needed to do it. Could we do this better? ... It doesn’t seem sustainable at a higher level. Even though we have flexible policies, we don’t overtly advocate for them and we don’t role model them. There are challenges, some are systemic and some are situational.”

~ **MID-SIZED PROFESSIONAL SERVICES FIRM**

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This is consistent with the ‘greedy jobs’ phenomenon (Goldin 2021) contributing to the gender pay gap as overtime hours are generally remunerated at a higher hourly rate and rewarded

through systems of promotion and appointments to senior positions. Our statistical analysis identified that long hours are particularly prevalent in Victorian industries of transport, warehousing, agriculture, fishing and forestry, construction, and real estate services.

### **BROADER SOCIETAL GENDER STEREOTYPES AND NORMS**

There are limitations on how much control organisations have over the take-up of equitable policies such as paid parental leave by men, particularly when there are strong social norms about its use. Businesses spoke about the challenges of broader societal norms that reduce the effectiveness of their equitable policies and practices.

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“Even though we have more men taking parental leave, we still have societal stigma that go to women being the primary carer and men the ‘babysitter’. ...With one of the first senior men to take paid parental leave, it wasn’t team of colleagues that gave him grief, it was his father that said ‘this will be career suicide for you.’”

~ **MID-SIZED LEGAL SERVICES FIRM**

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“We have a gender-neutral paid parental leave policy. Either parent can access the full 26 weeks. It’s the societal pressure, who do I choose to stay back at work? It’s (always) the father, they are expected to relinquish the child caring responsibilities. We’re trying to change culture internally but they are reinforced externally every day.”

~ **LARGE PROFESSIONAL SERVICES FIRM**

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### **BROADER ORGANISATIONAL CONTEXT**

While big businesses have significantly more autonomy in setting their own gender equality strategies and actions, there are still broader organisational contexts to consider that mitigate their autonomy to reduce the gender pay gap. For example, changes in ownership through mergers and acquisitions and global considerations for firms operating across multiple companies impact the gender composition of the workforce and/or gender equality initiatives.

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“One of the factors is a legacy issue. When two organisations become one, there are a whole bunch of people that were outliers (men who were paid a lot more than others) who are still there. It’s not reflective of the broader and more current state of conditions.”

~ **MID-SIZED PROFESSIONAL SERVICES FIRM**

“Global headquarters is overseas. The gender pay gap has to be managed ... (with) different reporting requirements in every country. It’s quite nuanced within each country.”

~ **MID-SIZED ENGINEERING FIRM**

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This complements our finding in the literature that changes in leadership are important transitions to manage with potential positive or negative impacts for gender equality (Huffman et al. 2010, Rindfleish 2018, Humbert et al. 2019), in this case driven by the parent company.

### **THE LIMITATIONS OF CURRENT WGEA REPORTING**

Big businesses identified some of the limitations of the current reporting to WGEA on the gender pay gap. In particular, the reporting focuses on a snapshot in time without sufficient context on the direction of travel or the time that is required to address the gender pay gap and see the impact of workforce initiatives.

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“It would be good to look at the definition of the gender pay gap. Is there a way of showing two figures? There’s a bit of resentment about the reporting that the definition is wrong. (There should be) more commentary or explanation of it to more accurately reflect the gender pay gap.”

~ **MID-SIZED PROFESSIONAL SERVICES FIRM**

“It would be good to report on previous years and current state and do some forward modelling. They could show, ‘if you continue this way, then you will be here in 2025-2027’. We need more sophisticated tools to help reduce the gender pay gap.”

~ **LARGE PROFESSIONAL SERVICES FIRM**

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Businesses also spoke of the potential for perverse outcomes if they were to solely focus on the short-term gender pay gap rather than gender equality objectives more broadly.

“There is a challenge with the way WGEA calculates the gender pay gap. It only gives you a snapshot of what’s going on. We have 50% women in our workforce but many women at more junior roles. Most of the women in our customer facing retail roles are women. If we wanted to reduce our gender pay gap, we could reduce the number of women in junior roles but that would not be a good outcome because they are our pipeline of women in senior roles.”

~ LARGE FINANCIAL SERVICES FIRM

The key point by businesses is that reducing gender pay equity is a long-run endeavour – there are a range of gender equality indicators that show a business is committed in their journey but the media and the public tend to focus on one metric at a point in time. This view may also be shaped by businesses’ experience with WGEA’s first public release of gender pay gaps by employer in early 2024.

## KEY TAKEAWAYS

### What works to reduce the gender pay gap according to medium to large businesses



- Multiple measures tailored to industry context and sustained over the long-term.
- Pay review processes, with robust salary banding and job frameworks enabling comparison of roles (key lever raised by business).
- Equitable practices in recruitment and promotion such as an inclusion champion participating in promotion and remuneration decisions.
- Leadership from the top on equality and inclusion.
- Data and measurement to drive change and communicating importance of gender equality.

## CHALLENGES TO OVERCOME INCLUDE:

- Lack of female workforce in male dominated industries and skills.
- Greater proportion of women in lower paying female-dominated roles.
- Long working hours, gender stereotypes and norms and losing women when they start a family.
- Changes in organisational context (e.g. change of ownership).

## 3.2 Small businesses

### 3.2.1 What's working to reduce the gender pay gap?

Before outlining what's working to reduce the gender pay gap, it is important to note from the outset that most small businesses we consulted with did not understand what the gender pay gap is. There was confusion about whether it meant equal pay for equal work, compliance with regulation, and/or paying the minimum award. While in some cases there was a general understanding of like-for-like pay gap (equal pay for same work), very few of the small businesses had an understanding of the organisation-wide pay gap and the drivers of structural disadvantage for women. This is supported by VEOHRC (2021) in its finding that there is a "widespread lack of understanding of equal pay in SMEs".

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"Gender equality is not something that features in the dental industry... Most practices are female dominated and it's all equal."

~ OWNER OF A SMALL DENTAL BUSINESS

"We pay at the award for all staff. We don't have funding to pay more than that."

~ SMALL DISABILITY SUPPORT BUSINESS

"Pay equity is not an issue for us. We pay people in line with what they contribute to the business."

~ SMALL RETAIL BUSINESS

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Despite this, when surveyed, over 84% of small business owners and managers claimed to be "quite familiar" with the gender pay gap. This gap between real and perceived understanding can potentially hamper closing the gender pay gap, due to the lack of awareness or recognition that the gap exists.

The literature review identified a range of measures that can reduce the gender pay gap noting that these are generally more applicable to medium and large businesses. The small businesses we consulted with generally had not taken intentional action to reduce the gender pay gap. Hence, the factors identified below are those observed in small businesses that are likely to play a role in reducing the gender pay gap and/or improving gender equality.

#### 'INCIDENTALLY' EQUITABLE INDUSTRY OR BUSINESS NORMS

There were a number of businesses that did not identify with gender equality as an organisational value or objective, but when prompted, noted that there were more women than men in the business, and at senior levels. Indeed, over 50% of the small businesses we surveyed were gender balanced in their employee composition and almost 50% were gender balanced in their leadership composition.

Many of these businesses had practices that attract and retain women into the business, but without an explicit focus on gender equality. For example, many of these businesses spoke about flexible working as a default way of working for the business, not specifically provided to retain women or parents, but as a norm that is offered and taken up by everyone. Over 60% of the small businesses in our survey provided flexible working arrangements, which is the most common of all the actions taken for gender equality. In some cases, a non-CBD work location and flexible hours are the biggest drawcard to attract and retain parents, predominantly mothers.

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"We have 4 men and 6 women in our team. I didn't plan it that way, it just happened. It's whoever is suited for the job. They all get paid the same because they work on sales commission"

~ OWNER OF A SMALL INSURANCE BUSINESS

"We have 20 staff, 6 men and 14 women. It's not on purpose, it just happened that way. We just get the best candidate for the job. We're based in the Southeastern suburbs, it's easy to do (school/childcare) pick up. We have flexible hours. We have a lot of mums. There's no paid parental leave. But all of the team work from home."

~ SMALL PROFESSIONAL SERVICES BUSINESS

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These businesses may achieve good results on gender equality at a point in time, but a lack of awareness hampers active measures to maintain a low gap or further close the gap. Behavioural biases, such as status quo bias, present bias, and moral licensing (where people sometimes respond to having done something good by doing more of something bad), can also hinder continued adaptation and progress.

### GENDER EQUALITY AND EQUITABLE PRACTICES ARE A PRIORITY FOR FEMALE-FOUNDED SMALL BUSINESSES

In contrast, gender equality and equitable practices were a specific focus for female-founded small businesses. In these cases, female founders and business owners took specific and intentional action to recruit women into the business, providing opportunities and an equitable work environment. For some female founders, experiences of sex discrimination were the driving force behind starting the business. Female founders used services and programs specifically targeted to recruit and retain women in male-dominated industries such as the Digital Jobs Program.

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“Gender equality is something I think about, both my staff are women. My business is about inclusion so of course I care about gender equality. I also have a higher number of clients that are women and non-binary.”

~ FOUNDER OF A SMALL COACHING BUSINESS

“We work in fintech and have made a huge effort to provide opportunities for women who want to get in the industry and have trained them to be software developers. The founder is female so that makes a difference.”

~ SMALL FINTECH COMPANY

“We have 10 developers and five of them are women. We went through the Victorian Government Digital Jobs Program....We also used Internmatch.”

~ SMALL TECH COMPANY

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Our survey of small businesses confirmed that those with female owners or managers prioritised closing the gap significantly more than those with male owners or managers ( $t(44) = -2.82, p < 0.05$ ).<sup>8</sup> Compared to their male counterparts, female owners and managers were significantly clearer about the importance of doing so, such as “It is the right thing to do” ( $\chi^2_{(1)} = 4.00, p < 0.05$ ) and “It is

important to attract and retain good staff” ( $\chi^2_{(1)} = 4.88, p < 0.05$ ).

Female-led small businesses promoting gender equality is similar to findings from large businesses where firms with female leaders or gender diverse boards are associated with stronger equity practices (Glass 2018, Gould et al. 2018 and Ng and Sears 2017).

From a behavioural perspective, firms with female leaders often have better gender diversity outcomes due to their understanding of gender-related challenges, role modelling effects, and personal championing of inclusive policies. Their leadership can shift workplace norms, reduce bias, and inspire women, fostering an organisational culture that values and actively pursues gender diversity.

### SUPPLY CHAIN OR EXTERNAL FACTORS THAT PROMPT CONSIDERATION OF GENDER EQUALITY

Small businesses told us about external organisations such as certification and accreditation services, large suppliers in the supply chain and HR companies that have the power to positively influence change towards gender equality. From a behavioural angle, such external pressure can cause adaptation, where people or businesses gradually adjust to new expectations, potentially leading to lasting change if the pressure is consistent and aligns with their internal values.

8. The terms within the brackets denote the statistical tests that assess whether these differences between males and females are substantial enough to be treated as a gender disparity. The term that is most informative in this context is the p-value, where a value denoted as  $p < 0.05$  indicates that the gender disparity is significant.





Many small businesses consulted had offshore workforces in Asia such as India, Vietnam, and the Philippines. The workforces employed in these countries largely follow industry norms (e.g. male-dominated tech workforce, female-dominated accounting and finance workforce, female-dominated graphic design workforce).

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“Out of the 22 employees, 4 are women - in marketing, communications, tech and compliance. The CEO does not talk about gender equality at all. But we’re trying to get B Corp accredited and they ask about that (gender equality). So now we’re starting to talk about it. The business is only two years old so we’re relatively young.”

~ **SMALL ENERGY TECH COMPANY**

“We support all of Salesforce’s women in tech initiatives. Salesforce offers free online learning including online learning for mothers not working. There are mentoring programs and it’s all 100% remote. You get to try out applying your new tech skills for a non-profit organisation. Salesforce offer trailblazer groups to give women real world experience and encourage them to get into tech.”

~ **SMALL TECH COMPANY**

“All of the 6 people in India are software developers which is male dominated. We go through a HR firm in India to recruit the developers.”

~ **FOUNDER OF A SMALL TECH COMPANY**

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### 3.2.2 What’s contributing to the gender pay gap?

Most small businesses consulted had not intentionally undertaken action to reduce the gender pay gap. Hence, the factors identified below are not actions that they have tried and failed, but instead are factors that block small businesses from considering taking action.

The literature review identified six factors that block progress including 1) economic crisis, 2) change in leadership, 3) gender equality fatigue, 4) misalignment with identity and values, 5) social and industry norms and 6) workplace norms and organisational culture as threats to progress on reducing the gender pay gap. The consultation with small businesses supported all of these factors.

### GENDER EQUALITY AND REDUCING THE PAY GAP IS NOT A PRIORITY FOR MOST SMALL BUSINESSES NOTING THE CHALLENGING OPERATING ENVIRONMENT FOR BUSINESSES

All small business owners and staff that we spoke to were focused on business operations and growth. Business owners noted that the current operating environment is challenging with high interest rates, cost of living crisis for customers, high supply costs for businesses and closures of many businesses particularly in hospitality and retail. Within this context, gender equality and reducing the gender pay gap ranked low, if at all, in terms of business priorities.

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“We are in survival mode. If it isn’t going to affect our end of month position this month, it isn’t going to get any attention.”

~ **SMALL BUSINESS OWNER IN EDUCATION AND TRAINING SECTOR**

“It’s really hard for businesses right now in this environment. They are really struggling.”

~ **SMALL BUSINESS OWNER IN THE RETAIL TRADE SECTOR**

“As a business owner, it’s already hard enough to run a business so I’m looking for the most competent person.”

~ **SMALL BUSINESS OWNER IN THE TECH SECTOR**

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The survey data show that small businesses with less than 5 employees prioritised closing the gender pay gap the least, compared to small businesses with 6 or more employees, but these results are not statistically significant ( $F(3,50) = 8.83$ , n.s.). Moreover, small businesses identified the two most relevant barriers to taking action as “Other issues need to be prioritised to keep business going” and “Don’t have the personnel (e.g. human resources manager) to focus on gender equality issues”.

Factors such as low profitability and variable cash flow making it difficult to meet an ongoing commitment to higher wages, lack of resources and know-how were also raised in consultations with small businesses in other fora (Economic S4W 2013) indicating these could be viewed as more systemic issues.

### LACK OF FEMALE APPLICANTS IN MALE-DOMINATED INDUSTRIES AND SKILLS

We heard from multiple small businesses that they may be open to gender equality initiatives and employing more women, but it is very difficult to recruit women in male-dominated industries and skills. Small businesses expressed a lack of power to change outcomes given the gender balance in the workforces they employ.

For those businesses that were able to employ more women in male-dominated skills and sectors,

they had to take specific action to use job platforms and programs targeted at women such as Internmatch and the Victorian Government Digital Jobs program. They cannot rely on general job advertising and recruitment processes to employ women in male-dominated industries.

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“We all know we need more females. Government tells us this, and sometimes we are made to feel non-compliant, but what can we do if no women apply for our jobs?”

~ **SMALL IT BUSINESS**

“Long hours involved in IT means it’s hard to attract women.”

~ **SMALL TECH AND COMMUNICATIONS BUSINESS**

“For every 200 applicants, only 5 are women. If you don’t get the applicants, you can’t hire women.”

~ **HR MANAGER IN SMALL IT BUSINESS**

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### LACK OF DATA AND PROCESSES FOR EQUITABLE PAY AND COMPLEX REGULATION

Unlike large businesses, small businesses do not have established processes to collect and analyse data and support pay equity in recruitment and

promotion. They will respond to what employees are asking for in terms of starting salaries and promotion opportunities, without mitigating gender bias in these processes.

Large businesses have the capacity to have established processes to embed equity such as benchmarking salaries and offering higher than requested starting salaries for women and instigating promotion consideration for all employees in a cohort (see section 3.1.1 on what’s working in mid-large businesses).

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“I have two women sales managers, they’re both on \$130k. I have another guy who wins all these awards and he’s said, ‘Pay me \$180k or I’ll walk’. What am I supposed to do? I don’t want to pay him more than the women and they work harder than he does.”

~ **OWNER OF MULTIPLE SMALL BUSINESSES INCLUDING A TECH BUSINESS**

“In our business you don’t get a pay rise unless you fight for it. And it’s mostly the blokes fighting for it.”

~ **SMALL FINTECH COMPANY**



“Our sector used to be mostly men. Now there is closer to equal shares of men and women. But what we don’t have is any data on gender equity issued at the next level of granularity. This makes it harder to see the problem and find solutions.”

~ **SMALL AQUACULTURE BUSINESS**

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There was some frustration expressed by small business owners about the complexity and cost of employing people. Business owners expressed frustration about the amount of regulation that is required for them to be across, including tax regulation, sector-specific regulation, as well as employment regulation. Some spoke about the burden of new legislation around psychosocial wellbeing and how it is very difficult for a business owner to stay across it and comply.

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“I will not be employing people in the future. It is all about equity and entitlement. Especially with this generation. And wellbeing. It’s all gone too far.”

~ **SMALL BUSINESS OWNER, SECTOR UNKNOWN**

“There is too much legal stuff and it’s all over the place. There should be one list for each kind of business that says, this is what you have to do.”

~ **SMALL BUSINESS IN EDUCATION AND TRAINING SECTOR**

“It’s difficult being a business owner. This is an incredible country to be an employee in.”

~ **SMALL BUSINESS OWNER IN COACHING SERVICES**

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### RESISTANCE TO GENDER EQUALITY

Our consultation with small businesses revealed some resistance to gender equality in general, gender fatigue and in some cases outright discrimination.

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“Women can do some analytics, but hard IT skills are with men.”

~ **MALE FOUNDER OF A SMALL TECH BUSINESS**

“I am sick to death of this topic. I know it makes me a bad person but I have gender issues fatigue.”

~ **SMALL BUSINESS, SECTOR UNKNOWN**

“Jobs should be allocated and paid according to merit. Gender should not feature.”

~ **OWNER OF A SMALL TECH COMPANY**

“We pay people the same. If you can stand on your head, then you should get paid for that job. There was a job ad the other day from the government and it said, ‘LGBTI people and a whole bunch of other things are welcome to apply’. Why doesn’t it say, ‘Everyone is welcome to apply?’”

~ **SMALL BUSINESS, SECTOR UNKNOWN**

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Our survey captured the degree of backlash towards gender equality interventions via responses where small business owners and managers indicated their agreement with statements such as “Discrimination against women is no longer a problem in Australia” and “It is easy to understand why there are concerns about limitations of women’s opportunities compared to men’s” (reverse-coded) (adapted from Swim et al. 1995, Cronbach’s  $\alpha = 0.82$ ).<sup>9</sup>

Surprisingly, we observed significantly higher levels of backlash amongst those who had prioritised closing the gender pay gap ( $F_{(1,36)} = 8.57, p < 0.01$ ). Such backlash is also strong amongst those who reported facing barriers such as competing priorities ( $F_{(1,33)} = 5.05, p < 0.05$ ), as well as time ( $F_{(1,31)}$

9. Cronbach’s alpha assesses the internal consistency or reliability of a set of items in a survey. A high value (close to 1) suggests that the items are measuring the same construct and are likely to be reliable.

= 9.72,  $p < 0.01$ ), budget ( $F_{(1,32)} = 8.43$ ,  $p < 0.01$ ) and personnel ( $F_{(1,33)} = 9.83$ ,  $p < 0.01$ ) constraints in trying to take action. Taken together, these findings may be an indication that those who are trying are feeling 'fatigued' due to too many imposed complexities and constraints in keeping their business going.

Our survey also captured attitudes towards traditional gender roles via respondents indicating their level of agreement with statements such as "It is not good for a relationship if the woman earns more than the man" and "Men generally make better leaders than women" (adapted from the World Values Survey, Inglehart 2020;  $\alpha = 0.70$ ). We also captured perceptions of gendered work performance which focuses on work performance attributes of women that would justify gender inequality, with statements such as "Men earn more in their jobs than women because they are more qualified overall" and "Even though they may have similar qualifications, men earn more in their jobs than women because they perform better" (adapted from Buchanan 2014;  $\alpha = 0.86$ ). The mean values for level of agreement with traditional gender roles and gendered work performance was 3.27 and 3.72 out of 7 respectively, indicating these attitudes are of moderate strength among our survey respondents.

We found that those who are highly supportive of traditional gender roles thought that the issue of gender equality causes conflict and controversy

( $F_{(1,32)} = 20.77$ ,  $p < 0.01$ ). They viewed gender equality actions as discriminatory against men ( $F_{(1,32)} = 11.86$ ,  $p < 0.01$ ) and often not merit-based ( $F_{(1,33)} = 12.70$ ,  $p < 0.01$ ), and believed that such actions would not work due to strong gender norms ( $F_{(1,32)} = 5.60$ ,  $p < 0.05$ ). Likewise, those who perceive work performance as gendered thought that gender equality actions are often not merit-based ( $F_{(1,33)} = 15.85$ ,  $p < 0.01$ ) and questioned the benefits for their businesses of taking action ( $F_{(1,32)} = 4.62$ ,  $p < 0.05$ ).

In short, traditional gender norms and stereotypes remain strong and influential amongst certain small business owners and managers, giving rise to resistance both passive and active. We note that there is likely to be resistance in large businesses too, but this was not uncovered by our consultation as we spoke to mainly Human Resources/People officers who are much more likely to be supporters of gender equality.

### CHANGES IN BROADER ORGANISATIONAL CONTEXT

Even more so than large businesses, small businesses are particularly influenced by their broader organisational context and external conditions. Whether it is a parent company overseas, or the loss of key clients and revenue, changes in the organisational context have a significant impact on a small business' workforce and gender pay gap.

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"The old business, before we were sold to the big conglomerate was very sexist. Women were told to 'not disrespect the men, to not be so outgoing'. We have two female product managers. They are walked all over by our CEO."

#### ~ SMALL TECH BUSINESS

"I just left a job in venture capital. I was made redundant the day I was due to return from parental leave. They replaced me with an outsourced person. There were around 50 staff then it dropped to around 15. The gender balance dropped with it."

#### ~ SMALL VENTURE CAPITAL BUSINESS

"In Australia, we had around 50 staff and we had around 7-8 women. Then we lost our biggest client in Australia and downsized to 20. Now we have around 2 women and 13 men."

#### ~ MALE OWNER OF A SMALL PROFESSIONAL SERVICES BUSINESS

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Annex 4 summarises in more detail the business experiences with what's working to close the gender pay gap, what's contributing to the gender pay gap, and actions with mixed feedback.

## KEY TAKEAWAYS

### What works to reduce the gender pay gap according to small businesses

- Small businesses have very low awareness of the gender pay gap in general or about their own gender pay gap.
- The small businesses consulted had not taken any intentional action to reduce the gender pay gap, so the actions identified as 'working' are generally unintentional.

#### FACTORS INCLUDE:

- Gender-equitable industry or business norms, but not necessarily by design (e.g. flexible work and non-CBD location).
- Female-founded businesses taking intentional action to recruit women and provide an equitable workplace.

- Supply chain influences to improve gender equality (e.g. accreditation or resources provided by business platforms).



### CHALLENGES TO OVERCOME INCLUDE:

- Lack of understanding of gender pay gap (as distinct from equal pay for equal work).
- Other priorities and challenging operating environment for small businesses.
- Lack of female applicants in male dominated industries and skills.
- Lack of data and processes for pay equity and complex regulation.
- Resistance to gender equality in some firms.

## 4. Firm profiles

### 4.1 Dimensions affecting pay equity

Our original framework for profiling firms was a matrix with two important dimensions – motivation and action – as we have identified these dimensions as two elements that contribute to a firm’s likelihood of being either a high-performing or low-performing on gender pay equity.

**Motivation** refers to whether or not a firm has an intrinsic motivation to pursue gender equality as a meaningful objective in itself. That is, they care about gender equality as it brings some form of reward, fulfilment and/or alignment with their values. This is in contrast to firms where such intrinsic motivation is absent, and any impetus to action comes from an external pressure or is a means to another objective (for example, such as compliance with regulation or procurement conditions, financial gain, preservation of reputation).

**Action** refers to a firm implementing policies and practices that are conducive to gender equality and improving the gender pay gap (for example, creating a gender equality strategy, making policies available beyond mandated entitlements, initiating changes that reduce biases in their current systems). Being a firm of high action can depend on having a necessary combination of elements to support such action: for example, sufficient resources are available, leadership is supportive, and staff have invested in their technical and professional capability to analyse gender gaps, develop policies and implement them as intended.

**FIGURE 19** Initial framework to characterise firm’s enabling environment and likely performance on gender pay equity

Organisational environment	Low action	Advantage
<b>High intrinsic motivation</b>	<b>Impeded</b> Characterised by intrinsic motivation but hindered by constraints	<b>Enabling</b> Characterised by intrinsic motivation that is converted into action
<b>Low intrinsic motivation</b>	<b>Resistant</b> Characterised by absence of intrinsic motivation, giving rise to low action or inaction	<b>Compliant</b> Characterised by action, but absence of intrinsic motivation

During our business consultation, an additional factor - awareness - emerged as an additional factor is generally overlooked in existing approaches that tend to be designed on the experiences of large businesses. This echoed insights that were also identified in the VEOHRC (2021) report, that there is “widespread lack of understanding of equal pay in SMEs... (pointing to) the importance of building

foundational awareness of the problem.” We similarly found through our consultation with businesses a general lack of awareness of the gender pay gap and pay equity as an issue (see Section 3.2.1).

This combination of factors – awareness, motivation and action – gave rise to various different outcomes on gender equality, with varying effectiveness.





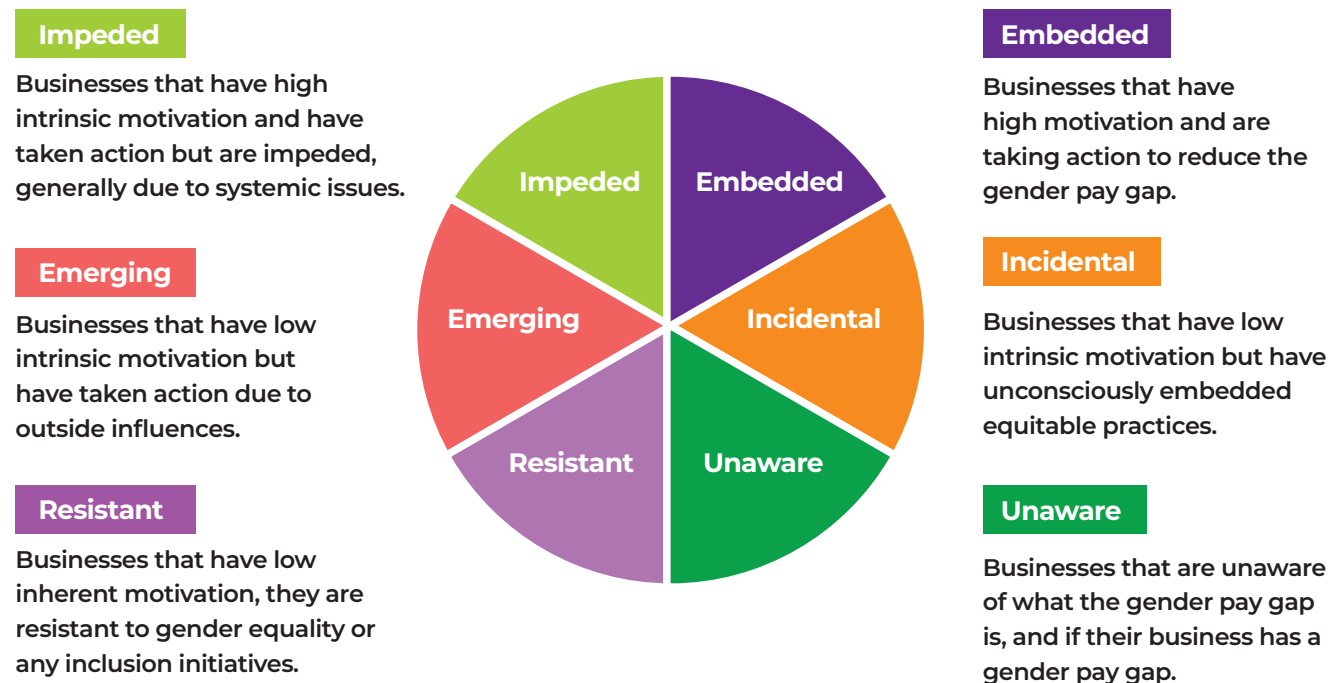
We identified businesses that, despite not displaying strong intrinsic motivation or intentional action towards gender equality or pay equity, were still creating gender inclusive and equitable outcomes in terms of strong gender balance across the organisation including senior leadership.

Businesses ‘incidentally’ creating gender inclusivity had largely female workforces, including at senior leadership level, due to a range of reasons such as offering working from home (not as a gender equality initiative but as a default way of working), flexible hours, and non-CBD location, often in female-dominated skills or industry, which combined attracts more women, particularly mothers to work.

The incorporation of awareness, and a recognition that outcomes can arise without deliberate intent, expanded our original four profiles to six. We incorporated an additional profile for those businesses that are ‘Unaware’, and another profile for businesses with low motivation and intentional action despite displaying some gender inclusive practices and potentially experiencing favourable outcomes, which we have called ‘Incidental’.

Figure 20 summarises the firm profiles with more detailed profiles in section 4.3.

**FIGURE 20 Multi-dimensional profiles of firms**



We note that the various firm dimensions are not necessarily linearly sequenced nor grow in mutually-reinforcing ways. For instance, while a business might grow in its awareness of the existence of the gender pay gap, this does not necessarily imply that it also grows in its motivation to act. Or a business might take action on gender equality but because it is externally motivated by compliance requirements, rather than by a genuine understanding or intrinsic motivation to make change. While some observed characteristics or behaviours may overlap, each combination of underlying factors is different.



## 4.2 Underlying barriers

In addition to what businesses told us directly, we sought to identify the underlying behavioural barriers and enablers impacting businesses and their motivation and capacity to take effective action on the gender pay gap.

**Lack of understanding of the gender pay gap and how to address it.** There is widespread lack of knowledge about the concept of the gender pay gap, and the specific gender pay gap for individual businesses. The gender wage gap is a complex concept to understand, and people tend to evade or delay engaging with complexities to avoid cognitive overload (when mental demands exceed processing capacity). It is important to keep in mind that small business owners and managers may already be facing cognitive stress due to the pressure of keeping their businesses going. Further, even if businesses were aware they have a gender pay gap, there is a lack of knowledge about which actions will be the most effective. The new resources and education campaign by VEOHRC go some way to addressing these knowledge gaps.

### **No reason to act on the gender pay gap.**

Even if businesses understood the gender pay gap and what to do about it, they may not act because taking action incurs immediate costs, but with no clear and immediate benefits. This is due to the present bias, which is the tendency to prioritise immediate benefits over future ones. Further, some businesses may just deny that a gap exists. This may be a form of cognitive dissonance reduction on the part of the owner or manager to justify or feel better about not taking action. Cognitive dissonance reduction refers to the psychological process by which people try to alleviate the discomfort caused by holding conflicting beliefs or attitudes, often by changing one of the conflicting elements or rationalising their behaviour.

**Resistant attitudes to gender equality.** Some business owners and leaders hold resistant attitudes to any equality or inclusion initiative or change. This may be because they hold traditional views of gender roles and/or are influenced by traditional gender norms and stereotypes. In some cases, it may be because people prefer to stick to what they know (status quo bias). Further, people are loss averse and may fear losing their current status or privilege if there are changes.

### **Lack of resources or support to implement equitable practices.**

Some small business owners and leaders who want to take action are unlikely to have the internal resources and expertise to calculate the gender pay gap, and design and implement actions to reduce it. In addition to being a structural barrier, the lack of resources is also a behavioural one, as it adds to the mental stress or cognitive overload of the owners or leaders.

**Low pipeline of female workers.** Some businesses may want to recruit and retain more women but have very few female applicants for job openings, particularly in industries such as construction, engineering, and IT. The representativeness heuristic, which is a cognitive shortcut where people judge the probability of something based on how closely it matches a stereotype, contributes to the low pipeline of female workers in certain industries. Females tend to shy away from choosing a career in those industries where they are not seen as the 'typical' worker, for fear of not belonging or fitting in male-dominated industries with strong industry cultural norms (see below).



#### **Male-dominated industries and industry cultural norms.**

Gender stereotypes and cultural norms in some industries still prevail, such as the perception that men are best suited to IT or engineering roles. These norms – which can be held by men and women alike – can act as a barrier to attracting and retaining more women into these roles. Gender norms and stereotypes are perpetuated and endure through a combination of behavioural dynamics, including a preference for tradition, status quo bias and the representativeness heuristic as described above. In such industries, it is not only women but also men who may face peer pressure to conform to gender roles, for example, not taking paternity leave as it is a ‘woman’s job’ to raise children and connotes a lack of commitment to their professional job. The negative stigma associated with breaking the gender norms continues to steer men and women towards traditional roles, as well as impose repercussions on non-binary individuals who do not demonstrate these traditional norms that are defined in the binary.

#### **Inequitable industry norms (e.g. overtime culture).**

There are some industry norms that are hostile or not attractive to women, or to workers with caring responsibilities who do not fit the traditional worker mould of male-dominated industries. For example, the hours worked in construction can be unviable for female workers who have family or caring responsibilities at home. Similarly, the hours required to meet external deadlines for auditors around the end of the financial year are another deterrent or barrier for women to work in the industry.



## 4.3 Detailed business profiles

To incorporate the different levels of awareness, motivation and actions that characterise organisations, along with the barriers they face in navigating the gender equality space, we present a detailed description of the six firm profiles in Table 3.

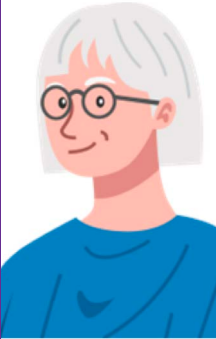
In this table we present:


- **Characteristics** of firms that distinguish them from each other in terms of their awareness, motivation and action on gender equality.
- **Statistical indicators** that are likely to characterise each of the firm profiles, drawn from our literature review and data analysis. These are characteristics that can be readily observed, measured and monitored as a way of gauging change over time.
- **Barriers** that confront each firm profile impeding progress that need to be considered in devising policy tools.
- **Behavioural factors** that come into play for each firm profile, which can inform the rationale and design elements underpinning the respective policy tools.

**TABLE 3 Detailed firm profiles**

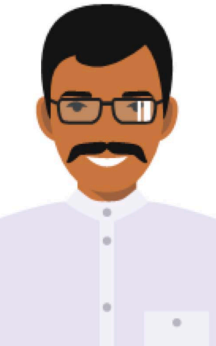
	<p><b>Unaware</b></p> <p>Businesses that are unaware of what the gender pay gap is, and if their business has a gender pay gap.</p> <p><i>“Pay equity is not an issue for us. We pay people in line with what they contribute to the business. Of course we pay equally!”</i></p>
<p><b>Statistical indicators</b></p>	<p>Likely average or larger pay gap. Likely traditional attitudes towards gender equality. Pay gap analysis likely to reveal coefficient (inequity) effects that widen gap.</p>
<p><b>Barriers</b></p>	<p>Unaware that their business has a gender pay gap. Lack of information about the gender pay gap and what to do.</p>
<p><b>Behavioural factors</b></p>	<p>Very low to no awareness of the gender wage gap and/or information on how to close it results in inaction.</p> <p>The gender wage gap is a complex concept to understand and perceived as irrelevant to the business, and people tend to avoid or delay engaging with complexities and non-essential matters to avoid cognitive overload.</p> <p>Moreover, small business owners are likely already under cognitive stress due to operational and financial pressures.</p> <p>Cognitive dissonance reduction (changing conflicting beliefs or rationalising behaviour to reduce discomfort) may cause denial that gap exists to justify not taking action.</p>
	<p><b>Resistant</b></p> <p>Businesses that have low inherent motivation to take action on gender equality. These businesses are likely to believe that they are already equitable, which results in resistance to taking action on gender equality or any inclusion initiatives.</p> <p><i>“As a business owner, it’s already hard enough to run a business so I’m looking for the most competent person.”</i></p> <p><i>“Jobs should be allocated and paid according to merit. Gender should not feature.”</i></p>
<p><b>Statistical indicators</b></p>	<p>Likely larger pay gap. Likely more traditional attitudes towards gender equality. Pay gap analysis likely to reveal coefficient (inequity) effects that widen gap.</p>
<p><b>Barriers</b></p>	<p>Indifferent or resistant attitudes to gender equality. Unaware that their business has a gender pay gap. Lack of information about the gender pay gap and what to do. No reason (or incentive) to act on the gender pay gap</p>
<p><b>Behavioural factors</b></p>	<p>Lack of awareness and information causes inaction. Cognitive dissonance reduction (changing conflicting beliefs or rationalising behaviour to reduce discomfort) causes denial that a gap exists to justify inaction.</p> <p>Gender equity measures are perceived to conflict with strong traditional gender norms and stereotypes. Negative emotions, such as anger over perceived discrimination against men, can trigger inaction and backlash.</p> <p>Status quo bias (preference to stick to what is known) leads to resistance. Loss aversion results in the fear that change will cause loss of current status or privilege. Present bias (prioritising immediate benefits over future ones) results in inaction as there are no immediate benefits to taking action, only costs.</p>


Detailed firm profiles *CONTINUED*

	<p><b>Incidental</b></p> <p>Businesses that do not have high intrinsic motivation to take action on gender equality, and are not intentionally gender equitable, but have incidentally adopted gender inclusive practices for other reasons, such as recruitment.</p> <p><i>“We have 20 staff, 6 men and 14 women. It just happened that way. We just get the best candidate for the job. We’re based in the Southeast suburbs, it’s easy to do pick up. We have flexible hours. We have a lot of mums.”</i></p>
<p><b>Statistical indicators</b></p>	<p>Likely average or smaller pay gap. Attitudes towards gender equality could vary. Pay gap analysis likely to appear favourable via compositional effects that narrow pay gap. Likely to be female-concentrated sector.</p>
<p><b>Barriers</b></p>	<p>Unaware their business is likely to have a low gender pay gap. Lack of information about gender pay gap. No reason (or incentive) to act on gender pay gap.</p>
<p><b>Behavioural factors</b></p>	<p>Industry norms are conducive to closing the gender wage gap. However, lack of awareness hampers active measures to maintain low gap or further close gap.</p> <p>Cognitive dissonance reduction (changing conflicting beliefs or rationalising behaviour to reduce discomfort) causes denial that gap exists to avoid active measures.</p> <p>Status quo bias (preference to stick with what is known), loss aversion (minimise loss rather than seeking gains of same size) and present bias (prioritising immediate benefits over future ones) hamper further action.</p> <p>Inertia due to complacency and lack of urgency hamper further action.</p> <p>Moral licensing (where people respond to having done something good by doing more of something bad) may threaten overall outcome.</p>

	<p><b>Emerging</b></p> <p>Businesses that have do not have high intrinsic motivation to reduce the gender pay gap out of their own belief (such as a moral imperative), yet have taken action due to outside influences, such as compliance regulations and reporting requirements.</p> <p><i>“The CEO does not talk about gender equality at all. But we’re trying to get B Corp accredited and they ask about equality. So now we’re starting....”</i></p>
<p><b>Statistical indicators</b></p>	<p>Likely average pay gap. Likely average or more egalitarian attitudes towards gender equality. Pay gap analysis likely to appear moderately favourable via compositional and/or coefficient effects that narrow gap.</p>
<p><b>Barriers</b></p>	<p>Indifferent or resistant attitudes to gender equality. Lack of information on gender pay gap and what to do. Lack of resources or support to implement equitable practices (small business).</p>
<p><b>Behavioural factors</b></p>	<p>Lack of awareness and information causes inaction. Cognitive dissonance reduction (changing conflicting beliefs or rationalising behaviour to reduce discomfort) causes denial that gap exists to justify not maintaining or further closing gap.</p> <p>Fatigue and cognitive stress due to complexities and costs of trying to comply with and implementing gender equity measures.</p> <p>Status quo bias (preference to stick with what is known), loss aversion (minimise loss rather than seeking gains of same size) and present bias (prioritise immediate benefits over future ones) give rise to resistance to change.</p> <p>Strong traditional gender norms and stereotypes. Negative emotions (e.g. anger over perceived discrimination of men or over additional regulatory burdens).</p>

Detailed firm profiles *CONTINUED*

	<p><b>Impeded</b></p> <p>Businesses that have high intrinsic motivation and have taken action but are impeded from taking action that matches their aspirations. These impediments can be due to systemic issues, such as lack of female workforce in male-dominated sectors or with the required skills. It can also be due to limitations in capacity (such as the absence of an internal HR department).</p> <p><i>“We all know we need more females. Government tells us this, and sometimes we are made to feel non-compliant. But what can we do if no women apply for our jobs?”</i></p>
<p><b>Statistical indicators</b></p>	<p>Likely average or larger pay gap. Likely more egalitarian attitudes towards gender equality. Pay gap analysis likely to reveal compositional effects that widen gap.</p>
<p><b>Barriers</b></p>	<p>Low pipeline of female workers. Male-dominated industries. Long change timeframes. Inequitable industry norms (e.g. overtime). Lack of resources or support to implement equitable practices (small firms).</p>
<p><b>Behavioural factors</b></p>	<p>Organisational culture supportive of closing the gender wage gap. Leaders are intrinsically motivated due to social identity (e.g. female leaders favour their in-group) and/or self-image as progressive, transformative leaders.</p> <p>However, females are not attracted to certain industries because they do not resemble the ‘typical’ worker in those industries (representativeness heuristic - where people judge the probability of something based on how closely it matches a stereotype).</p> <p>Industry norms and culture in certain sectors, such as gender stereotypes and long overtime hours, also impede actions.</p> <p>Measures to shift norms and culture take time, causing frustration and demotivation.</p> <p>High costs of implementing equity measures may trigger counter-productive biases (e.g. present bias or cognitive dissonance reduction), jeopardising current and future initiatives.</p>

	<p><b>Embedded</b></p> <p>Businesses that have a genuine understanding of the gender pay gap, high motivation and are taking action to improve gender equality. Business integrates principles of inclusion and equality into its identity, mission statement and strategy. More likely to be businesses led by women or strong gender champions.</p> <p><i>“The firm prides itself on being a diverse and equal employer. There was an appetite to do things before but we didn’t know how.” “Gender equality is something I think about, both my staff are women. My business is about inclusion so of course I care about gender equality.”</i></p>
<p><b>Statistical indicators</b></p>	<p>Likely smaller pay gap. Likely more egalitarian attitudes towards gender equality. Pay gap analysis likely to appear highly favourable via compositional and/or coefficient effects that narrow gap.</p>
<p><b>Barriers</b></p>	<p>Lack of resources or support to sustain equitable practices (small firms only). Long change timeframes – it can be challenging to sustain momentum and continue progress over time. Leadership transitions may challenge progress.</p>
<p><b>Behavioural factors</b></p>	<p>Organisational culture supportive of closing the gender wage gap. Leaders are intrinsically motivated due to social identity and/or self image.</p> <p>However, measures to close gap take time, causing frustration and demotivation.</p> <p>High costs of maintaining measures may trigger counter-productive biases. Inertia due to complacency may also hamper further measures.</p> <p>Leaders may be over-ambitious and over-optimistic and set unrealistic targets or goals which may demotivate.</p>







## 5. What can be done?

There have been many significant policy developments in Victoria and at the Commonwealth level impacting workplace gender equality and pay equity over the last 5-8 years (summarised in Annex 5). In Victoria, the Gender Equality Act (2020) requires the Victorian public sector, local governments and universities to address gender equality, including gender pay equity. A Building Equality Policy requires contractors to large Victorian construction projects to meet project specific gender targets. Victoria's gender equality strategy (Our Equal State) covers a range of measures including exploring ways to deliver the fair economic value of care and community work through improved pay and conditions.

At the Commonwealth level, the Respect@Work measures include requirements for employers to take proactive steps to prevent sexual harassment in the workplace. Employer gender pay gaps were published by WGEA for the first time in February 2024 and pay secrecy provisions are no longer enforceable by employers. Under the Commonwealth gender equality strategy (Working for Women) an upcoming initiative is for businesses with 500 or more employees to demonstrate progress against gender equality indicators to win government work.

Making progress on gender equality and pay equity means being open to new and progressive approaches. Behavioural tools – the recognition of implicit barriers and enablers – point us towards behavioural science as a mechanism for effective impact. Our focus is what actions the Victorian government can take to motivate, facilitate and equip businesses to take action. That is, setting up the enabling environment, choice architecture, designing policy and resources that alleviate barriers and frictions and mobilise enablers.

### Policy principles

Our policy tools build on the existing policy landscape and are grounded in research insights from our statistical analysis, literature review, business consultation, and a forthcoming special policy co-design workshop with small business. The policy tools are mainly targeted at helping small businesses address pay equity given large businesses have access to other resources, including WGEA. Nonetheless, policy actions to address industry and social norms, for example, will benefit large businesses too. Our guiding principles for developing policy tools are:

- **Apply behavioural insights:** Meeting (small) business where they are at, leverage their existing priorities and objectives, and work through trusted people and systems.
- **Harm minimisation:** Avoid increasing the regulatory burden, adding to costs, or activating gender equality backlash and fatigue.

### □ Gender equality as a public good:

Recognise the economy-wide benefits of government supporting small businesses to take action on gender equality, given the internal costs for small businesses are larger than for big businesses.

The policies largely aim to strengthen the enabling environment for small businesses, to make it easier for them to take action. Table 4 summarises the barriers we identified, policy considerations, policy tools, timeframes and the type of firms reached.

When justifying government investment in these policy tools, we highlight the need to treat these initiatives as investments that will involve upfront costs but will generate community-wide benefits over time. There will be short-term costs while firms adapt to new systems and evolve their current practices, but such costs will be transitional and short-term until the longer-term benefits are reaped.

**TABLE 4** Policy tools fitted to barriers, timing and firm profiles

Barrier	Policy consideration	Policy tools	Timing*	Unaware	Resistant	Incidental	Emerging	Impeded	Embedded
Lack of information about gender pay gap in general and in own business. Lack of time, expertise and resources to understand the pay gap or to take action. Uncertainty over what actions would be worth investing in.	How might we make it easy and affordable for businesses to understand the gender pay gap (including their own pay gap) and take action? How might we make businesses care about the gender pay gap? How might we make it worthwhile for businesses to invest in gender equality?	<b>Nudges</b> using information sources, services and platforms that businesses currently use to help businesses understand and act on their pay gap.	Short/ Medium	✓	✓	✓	✓	✓	
		<b>Education and information</b> campaigns for businesses and employees, and benchmarked salary bands across different roles in each industry.	Short	✓	✓	✓	✓	✓	✓
		<b>Business programs</b> that provide information and advice to small businesses.	Short	✓	✓	✓	✓	✓	
Lack of female workforce.	How might we build a greater pipeline of women in male-dominated workforces? How might we make it easier for businesses to recruit women?	<b>Nudges</b> using services and platforms that businesses currently use to help businesses to recruit more women.	Short/ Medium	✓			✓	✓	
		<b>Education and information.</b> Coordinated action in male dominated industries.	Medium	✓	✓		✓	✓	
Unsupportive industry and social norms.	How might we shift unsupportive industry and social norms e.g. working hours, flexible working, parental leave?	<b>Changing norms.</b> Continuing strategies to promote flexible work and shared domestic work.	Long	✓	✓	✓	✓	✓	✓
		<b>Education and information.</b> Coordinated action in male dominated industries.	Medium	✓	✓		✓	✓	✓

\* Implementation timing

Barrier	Policy consideration	Policy tools	Timing*	Unaware	Resistant	Incidental	Emerging	Impeded	Embedded
Lack of support to sustain change.	How might we support businesses that embed gender equality and encourage success?	<b>Business programs</b> that support gender equitable businesses and female business owners.	Short			✓			✓
		<b>Financial incentives</b> that provide material payoff for action.	Short/ Medium			✓			✓
Resistant attitudes and behaviours.	How might we shift resistant attitudes and/or behaviours?  How might we normalise gender equitable practices in strongly traditional settings, including the inheritance of family businesses?	<b>Changing norms</b> by aligning gender equality with existing values and priorities.	Long	✓	✓	✓	✓	✓	✓
		<b>Education and information</b> campaigns for businesses and employees to normalise gender equitable practices.	Long	✓	✓	✓	✓	✓	✓
		<b>Financial incentives</b> that provide material payoff for action.	Short/ Medium		✓	✓	✓	✓	✓
		<b>Legislative change</b> to mandate action.	Medium/ Long	✓	✓	✓	✓		
		<b>Research</b> on benefits of taking action for small firms according to business metrics that matter to them.	Short	✓	✓		✓		

\* Implementation timing

## 5.1 Nudges

This set of policy tools is about inserting gender equality and pay equity prompts into resources already used by businesses and leveraging trusted intermediaries to promote pay equity. The design of the tools should be geared towards nudging firms to make a choice in favour of pay equity.

Nudges are subtle changes to the choice architecture (i.e. decision context) designed to influence behaviour in predictable ways without limiting choices or significantly altering economic incentives (Thaler and Sunstein 2021). Compared to traditional market-based policy tools such as taxes or subsidies, nudges are lighter in touch and can be lower in cost to implement. Pursuant to the EAST framework development by the Behavioural Insights Team, to nudge firms to make a choice in favour of gender equity, this choice should be made more **E**asy, **A**tttractive, **S**ocial and **T**imely.<sup>10</sup>

### Boost business management tools

Calculating the gender pay gap is complicated and while the Victorian Government makes tools available, small businesses need to actively seek these out and commit time to their implementation. Embedding tools within resources that businesses already use could help streamline their use, making it easier for businesses to become

informed and take action. For example, a module could be developed to be used with popular accounting platforms that automatically calculates a business's gender pay gap and provides a benchmark to industry averages. When provided in a *timely* manner, for example, just before recruitment, salary review, or compliance reporting, such information can be very useful to guide decision making.

Key messaging could be incorporated into the module, giving businesses reasons why taking action is good for their business along with positive messages to get them engaged that are targeted at 'unaware', 'resistant' or 'emerging' firms.

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### RECOMMENDATION

**Partner with commonly used accounting platforms to develop a gender pay gap module that automatically calculates a business' gender pay gap and provides a benchmark to industry averages.**

State and Local Governments currently provide SME development training, and through incorporating the pay gap calculator into this training businesses could address lack of information as a barrier, addressing firms with low intrinsic motivation. Providing businesses with additional resources, such as free consulting

services for pay reviews could reduce barriers for emerging and impeded organisations.

Free and business-specific resources are attractive and will bring more firms into the net, including 'unaware' or 'resistant' firms who may have a fear of missing out. Low-cost options for the government to provide free-to-business consulting on pay analysis include partnerships with online platforms or with universities for Human Resources or business students to work with businesses as part of their practical experience. The analysis could be supported with guidance materials on how to have a conversation with staff about salary and remuneration.

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### RECOMMENDATION

**Provide free consulting services to small businesses for pay reviews that include analysis of the gender pay gap and suggested actions to reduce it.**

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### Develop a comparator platform

Social or industry norms are rules of behaviour accepted by our peers and industry groups. The prospect of violating such norms creates negative feelings (such as embarrassment, shame or guilt) which motivates action to conform.

<sup>10</sup> More information about the EAST framework can be found here: [https://www.bi.team/wp-content/uploads/2015/07/BIT-Publication-EAST\\_FA\\_WEB.pdf](https://www.bi.team/wp-content/uploads/2015/07/BIT-Publication-EAST_FA_WEB.pdf).

According to social comparison theory, we want to be better, or at least not worse, than others in our peer group. As such, a mechanism - such as a comparator platform - which can clearly demonstrate to businesses that their behaviour is outside of a norm or not up to the standard of their peers can be effective to motivate action. WGEA has used peer benchmarking reports with large companies for some time, and now public comparisons on employer pay gaps.

In building a comparator platform, one issue is amassing sufficient employer-level data, particularly for employers with less than 100 workers that are not covered in WGEA data. In time, data collected through firms using the gender pay calculator could be used. In the meantime, as a starting point, the Victorian Government could draw upon industry comparisons, for example, "if you are in this industry, your gender pay gap is likely to be within this range".

Importantly, to motivate behaviour change, the comparator platform can let firms know what they are doing well, and what they need to do to improve or sustain changes. Goals to keep firms motivated will help to keep the momentum going. According to goal motivation theory, specific, challenging, and realistic goals can drive behaviour by directing attention, increasing effort and sustaining persistence (Locke and Latham 1990).

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## RECOMMENDATION

**Develop a public comparison site on gender pay gaps for use by small business and their current and prospective employees and clients.**

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### Work with job platforms

Job platforms are a key entry point for business interaction with the workforce, particularly for mid-sized and larger firms. The Victorian Government could work with job platforms to incorporate simple nudges into employer job postings. For example, timely prompts such as "if you list flexible work arrangements, you will have more applicants" provides information that progresses gender equality in non-threatening ways. Publishing salary ranges in job ads also reduces gender pay inequity at entry.

For STEM type jobs, where the barrier is lack of female applications, job platforms can add signals to job ads aimed at dispelling the perception that women cannot succeed in such areas (Walsh 2022). Such signals can include messages highlighting women's aptitude in STEM, examples showcasing successful females in that area or information about providing access to professional networks of women should the applicant be successful.

A field experiment carried out in Mexico in 2016 demonstrated that these signals can double the application rates of women for software-coding training (Del Carpio and Guadalupe 2021). Such signals work by updating beliefs based on observation and experience about what others in their reference group are doing (Bicchieri 2017).

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## RECOMMENDATION

**Work with job platforms to develop nudges on job ads to attract more women candidates such as prompts for flexible work or non-CBD location and providing information on the additional job applicants that are likely from these changes. Promote gender decoder language tools that check and remove gender-patterned wording and implicit bias from job advertisements and company materials.**

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### Activate professional services that are already supporting small businesses

Small businesses often rely on professional services, including HR, accounting and legal. These professionals provide trusted advice to small businesses assisting with day-to-day operations, growth strategies and troubleshooting challenges.



They can be brought on-board as trusted 'messengers' to help address barriers posed by lack of awareness, lack of information or misinformation, in non-threatening ways.

The Victorian Government could engage the HR, accounting and legal industry peak bodies to train these professionals on pay equity expectations under Victoria's gender equality strategy as part of professional development. At a minimum, HR recruitment agencies should be educated to provide their clients with a gender balanced pool of candidates. A pool of trained HR, accounting and legal professionals could also be funded by the Victorian Government to support small businesses seeking to reduce pay inequity. For example, if a small business submits payroll data, as a default, the HR professionals will calculate the pay gap and recommend actions to address pay equity and benefit the business.

The Government could also support associations to build communities of practice for professionals in gender equality and pay equity, creating a group of peers who disseminate best practices. For example, useful HR practices in recruitment include data analytics to check for gendered language in job ads, and standardised criteria for grading interviews. Hiring applicants for roles in batches rather than individually when making hiring decisions, instead of one by one, also tends to result in more female hires. See also business programs below.

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## RECOMMENDATION

**Activate professional services that support small business such as human resources (HR), legal and accounting service providers to educate clients on the gender pay gap and support them to reduce it. For example, HR recruiters could provide a gender balance pool of candidates, or accountants could calculate pay gaps and recommend actions if a firm is already submitting payroll data.**

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## 5.2 Educating and informing

This set of policy tools is largely about reaching firms that are 'unaware' about the gender pay gap, or that are 'incidentally equal', to help them make actions more intentional and sustained.

### **Publish benchmark pay data.**

Small business owners and employees have low levels of pay transparency across their industries. Conducting research and making benchmarked salaries by industry and by role (e.g. corporate roles such as finance and HR) available to the public could have a significant impact to reduce information asymmetry and mitigate gender differences in pay negotiations and promotion. It would support small business owners to be able

to compare roles and salaries in their business and minimise gender differences. The program could leverage existing industry salary research such those undertaken by peak bodies.

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## RECOMMENDATION

**Conduct research and publish benchmarked salaries by industry, making available salary bands across different roles in each industry.**

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### **Work with peak bodies and service providers.**

The resources and programs suggested in this report should be promoted through organisations that interact with small businesses. This includes peaks such as COSBOA and the small business ombudsman (Victorian Small Business Commission) as well as local councils engaging with small businesses, specific industry associations (for example MGA Independent Businesses Australia for grocers) and annual events such as CommBank Small Biz Week.

Working with peaks and service providers is especially important to reach 'unaware' or 'incidental' firms not actively seeking resources on gender equality and the gender pay gap.

The Victorian Government could help with ‘rules of thumb’ and tracking data to understand patterns and trends relevant for gender pay equity. For example, “The data from your industry show that the gender pay gap is likely to be lower if at least x% of senior roles are filled by women”, or “The data from your industry shows that the gender pay gap is likely to be lower if management salaries are less than x times the lowest salary”. Based on this information, businesses can have greater confidence to take action in the right direction.

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## RECOMMENDATION

**Work with peak bodies, local councils and professional service providers to help them promote business resources on the gender pay gap. Develop ‘rules of thumb’ or easy actions that businesses can take that will likely improve the gender pay gap for all businesses.**

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### Employee advocacy and pay transparency

To address information asymmetries, whereby employees may have no or only limited information about how their pay compares to others in their organisation, there is scope to empower employees with richer information about gender pay equity, the nature of the gender

pay gap, and, where possible, data and statistics that are meaningful to them.

There is scope for the Victorian Government to consider funding employee advocacy groups, to support small business employee education on the gender pay gap (beyond the services currently available by the Fair Work Ombudsman). An empowerment approach could encompass professional development opportunities for women such as pay negotiation tactics. This would leverage the value of the comparator website recommended above, by prompting employees to take note of information on pay equity and to feel empowered to make use of that information.

Another option in this space could be to initiate a public campaign encouraging workers in small businesses to share their salaries on job community platforms (with safeguards around personal identification) to increase pay transparency and work with the platform to share comparator statistics. The empowering effects of transparency of information is potentially highly important from an intersectional gender equity perspective, as women in disadvantaged circumstances – including women from migrant and refugee backgrounds, First Nations women, women in insecure or informal work – are likely to be more vulnerable to biases and discriminatory treatment and less likely to have access to full data and information.

Greater pay transparency will directly benefit both men and women by making it easier to see how they compare to their peers and help them to ensure they are paid fairly. This will give men too an incentive to participate in the program. The Victorian Government could promote resources that support women’s effective salary negotiation with this pay transparency.

While there is potential benefit in this employee-focused approach, it is also emphasised that such approaches do not diminish the need to focus on cultural and systems-level change.

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## RECOMMENDATION

**Empower employees through employee education on the gender pay gap, supporting employee advocacy and effective salary negotiation, encouraging sharing of salary information publicly and anonymously through online job community platforms to promote transparency.**

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### Champions and communities of practice

Many business people, especially HR professionals, emphasised the benefits of bringing together champions or building a community of practice in

each industry to share knowledge and practices of what works in achieving gender equality and pay equity. This would especially benefit 'impeded' firms that are stuck due to systemic issues such as lack of female workforce in their sectors or skills and where an industry-wide approach may be useful. The Victorian Government could resource communities of practice to be set up through industry peak associations, or as part of upcoming strategies such as Women in Manufacturing or Women in Energy (as part of the Renewable Energy Workforce Strategy).

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## RECOMMENDATION

**Champions and communities of practice resourced to develop industry-specific strategies to address gender pay gaps.**

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### Large-small business mentoring

Large businesses have years of experience reporting on gender equality and pay equity to WGEA and developing strategies, tools and practices. Many small businesses would jump at the opportunity to be mentored by a large firm in their industry on a multitude of business issues – this enthusiasm can be leveraged to make gender pay equity the entry point. Large-small business

mentoring could be linked to the communities of practice and/or business programs to equip women-led small businesses (see above).

Acknowledging the calls on large businesses are many, some ways to encourage large businesses to participate in a small business mentoring scheme could include building it into the WGEA 'employer of choice' accreditation and promoting recognition as part of Environmental and Social Governance (ESG) practices, government awards and procurement frameworks.

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## RECOMMENDATION

**Business peer support resourced such as pairing a large business with a small business in the same industry to provide more tailored support and mentoring to the small business to reduce their gender pay gap.**

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## 5.3 Changing norms

Government investment in changing social norms can benefit all firms, as well as the community more broadly. This is a longer-term investment as it involves shifting deeply entrenched attitudes, beliefs and perceptions which serve to discourage gender equity. Several ideas are provided below.

### Targeted campaigns

To shift norms among people (mostly men) who are 'unaware' or 'resistant' to the notion of gender equality and pay equity, the Victorian Government could invest in campaigns which use a trusted peer group member to share positive narratives about gender equality in a non-threatening manner by focusing on relatable benefits for both family and business.

For example, the campaign might feature a well-respected male colleague or friend (or someone the target audience can most identify with) who discusses how implementing gender equality measures in his company has not only fostered a more dynamic and innovative work environment but also led to tangible improvements in business outcomes. He could also highlight how supporting gender equality at home has strengthened his relationships with his partner and children, creating a more balanced and harmonious family life.

By presenting stories in a supportive and non-confrontational way, the campaign can demonstrate that embracing gender equality is a practical choice that enhances both professional success and personal fulfillment, without implying that current practices are flawed or that men need to change their beliefs. Although the campaign is targeted at those in 'unaware/resistant' firms,

shifting social norms will assist all firms sustain gender equality measures as society as a whole becomes more gender equal.

Another campaign could be to take action to address 'pluralistic ignorance'. This is a social phenomenon where people mistakenly believe their own attitudes and behaviours are different from those of their peer group, leading them to conform to perceived norms even if they privately disagree (Miller and McFarland 1987). Men might personally support gender equality but not take action to support equality because they believe that others in their peer group do not do so. This may potentially be the case here.

Our survey showed that small businesses with female owners or managers prioritised closing the gap significantly more than those with male owners or managers. However, the men in our survey were not significantly more traditional in their views of gender roles or gendered work performance, nor were they more gender 'fatigued' compared to females. A targeted communication campaign can help reveal to these men that there is a dissonance between what they believe (i.e. that other men disapprove) and what other men really think (Bursztyn et al. 2020), to give them more confidence to align their behaviour with their personal values.

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## RECOMMENDATION

**Campaign targeting (mainly) men that are unaware or resistant to gender equality featuring relatable male peers sharing positive narratives about how gender equality has improved their professional success and personal fulfillment, without suggesting that men need to change their beliefs.**

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## Shifting industry norms

The Victorian Government should continue initiatives to break down gender stereotypes by supporting women into male-dominated industries such as the Women in Building Policy, upcoming Women in Manufacturing Strategy and Women in Energy (part of Renewable Energy Workforce Strategy), as well as programs such as the Digital Jobs Program and Women in (cyber) Security Program. The Victorian Government Digital Jobs Program in particular was raised by several businesses as a source of female recruits in the mainly male dominated tech industry. As part of these strategies and programs, outreach to schools should continue to encourage more female students into these industries and could extend to involving exemplar small businesses.

At the same time, the Victorian government could consider initiatives to encourage men into female dominated industries (e.g. men in healthcare, men in aged care) as well as promoting images in government advertising of men in female-dominated jobs such as administrators, receptionists, dental assistants, and retail sales workers for example.

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## RECOMMENDATION

**Develop (and continue) industry specific strategies to shift women into male dominated industries and occupations, and men into female dominated industries and occupations.**

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Unequal care and domestic work shared between women and men place constraints on women's ability to participate and advance in the paid workforce. These norms are persistent; continued investment in shifting norms within the household is important to enable changes within the workplace.

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## RECOMMENDATION

**Develop a campaign to encourage more equal sharing of care duties in the home and men's take-up of paid parental leave.**

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## 5.4 Business programs and incentives

This set of policy tools is about dedicated business programs catering to the different types of firms identified through the research.

### An accreditation scheme for SMEs

Drawing inspiration from the WGEA ‘employer of choice’ scheme, the Victorian government could explore a ‘small business inclusive work practices’ accreditation scheme. The barrier that this approach attempts to address is the absence of an internalised incentive to care about gender equity: this approach aims to create a mechanism that internalises the payoff to the firm. Namely, it is a potential way to leverage the importance that businesses place on their public image and reputation and attracting and retaining customers and clients as well as staff. All of these factors have the potential to be enhanced by the business being credibly recognised for its gender equitable practices.

Such accreditation would assist small businesses through signalling to customers and potential employees that they provide inclusive work and pay practices. It has particular relevance to the ‘embedded’ category of businesses, as a mechanism to sustain their momentum, and to ‘emerging’ businesses as a way to boost the payoff of their efforts.

The fact that WGEA, as of 2024, is now publicly publishing of organisation-level performance on gender equality is heightening public awareness of these issues and raising the salience of gender pay gaps in the eyes of customers, investors, and existing and prospective employees. It means that accreditation schemes have the potential to be even more impactful as a way for the public to distinguish good from poor performances, and to align their choices to organisations based on their morals and values.

### RECOMMENDATION

**Explore an accreditation scheme or utilise an existing accreditation scheme such as WGEA Employer of Choice or B Corp for small businesses to signal to customers and employees they have inclusive work practices.**

### Equip more women-led businesses

Our research found that women-led businesses tended to be more gender inclusive and equitable. However, wider research also attests that women aspiring to establish their own business have less opportunity to access capital and finances than their male counterparts, and generally receive less funding and less favourable lending terms than men even when they do succeed in

securing funding (Malmström et al. 2024). The Victorian Government could boost its support for more women to start, lead and manage their own businesses. This could include grants to fund access to professional services such as HR, legal and accountants to help ‘incidental’ firms sustain best practice, ensuring women-led businesses benefit from Victoria’s Social Procurement Framework and other business initiatives.

### RECOMMENDATION

**Equip more women-led small businesses through grant funding to access professional services and to use the Victorian Government Social Procurement Framework.**

### Awards for good practices

The Victorian Government could sponsor a gender pay equity category for business awards through peak associations, local councils or others. There are a multitude of business awards, including the Victorian Chamber of Commerce, Recalibrate Gender Equity Awards and Telstra Small Business Awards for Accelerating Women, to name a few, that could be leveraged without needing to set up a new award scheme.



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## RECOMMENDATION

**Sponsor awards for excellence in gender equity for small businesses working with peak organisations, local councils and others.**

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### Payroll tax concession

The Victorian government could consider a payroll tax discount for firms demonstrating a gender pay gap below the industry benchmark and/or progress over time. A payroll tax concession is a potential policy tool to activate some firms to do more as they are recognised and rewarded for good practices. However, a payroll tax concession scheme would be complex to design and administer, and it would not benefit small firms below the payroll tax free threshold. Therefore, it is not recommended at this point in time.

## 5.5 Legislation and compliance

There is the potential to implement legislative measures to mandate that firms must take steps to progress gender pay equity. Informed by a behavioural design approach, these measures are not recommended at this point in time, given that large businesses already have obligations

under the *Workplace Gender Equality Act*, and many small businesses lack an awareness and understanding about the gender pay gap that would be needed for mandated actions to be well received and effective. Mandatory requirements, in this context, risk backlash, resistance and fatigue from businesses already finding the existing environment complex. Rather, a suite of nudges and 'influencing' policy tools, to help grow businesses' genuine understanding of gender equality and how it can benefit them, are recommended as a more appropriate starting point.

However, this is not to say there is no scope for mandated actions in order to reset the default behaviour, signal the importance of an issue, and trigger a shift in mindsets. Indeed, WGEA's reporting requirements for all large companies in Australia and CGEPS' gender impact assessments for public entities in Victoria are excellent examples of the effective use of mandated approaches. There is scope for the Victorian Government to revisit an assessment of the suitability of mandates in future years.

### Mandate progress on closing gender pay gap

The Victorian Government could consider legislative requirements for private sector firms to address the gender pay gap. For example,

under Ontario's Pay Equity Act, private sector employers with 10 or more workers are required to show pay equity has been achieved and maintained, including adjusting the compensation of underpaid female job-classes. Legislation could be backed by an Equal Pay Commissioner with pay audit powers. Legislative requirements could also be considered for employer transparency in promotions, pay and rewards.

## 5.6 Research and leveraging data

The Victorian Government is investing in agenda-setting research for gender equality including this research and a gender equality dashboard. Other potential initiatives to progress research, data collection, and the generation of an evidence base are provided below.

### Expanding knowledge on gender equality impacts for business

The Victorian Government has demonstrated its recognition of the value of research-informed, evidence-based policy. In this space, there is scope for the Victorian Government to continue to invest in analysis and evaluations that would enable an assessment and refinement of its gender equality

initiatives. This project has revealed that much of the research and public discussion on 'what works' for gender equality is skewed towards the experiences of large organisations, who generally have greater capacity to implement strategies as well as publicise their achievements. Indeed, most existing research on the benefits of gender equality is expressed in the context of large firms, and not spelt out in terms that necessarily resonate with the interests of small and medium businesses.

There remains scope to further research the practical experiences of small businesses. Namely, this project identifies a need to investigate the extent to which gender equality is linked to the business performance metrics that matter to small firms.

These metrics potentially include: higher revenue and profit; financial viability; market share; firm longevity; public reputation; easier recruitment and retention; opportunities for innovation; security (e.g. data and cyber security); and improved work/life balance for small business owners and their employees.

Much of the previous research and practical guidance assumed that firms have an awareness of the concept of the gender pay gap, the potential capacity to take action, and an aspiration to do well on gender equality. However, our analysis of

motivational and attitudinal factors attests such assumptions do not hold true across all firms. This is not a critique of such firms, but a recognition that many businesses do not necessarily have a need, incentive or reason to invest in gender equality, relative to their other business priorities. Rather, it means that research and evidence is especially needed for firms that match our 'unaware', 'resistant' and 'emerging' profiles, including better understanding the benefits of gender equality that genuinely resonate and matter for them.

Adopting an evidence-based approach to business innovation, there are promising opportunities to trial or pilot the policy tools on a random sample of organisations in Victoria, and evaluate outcomes against the comparative experiences of firms that do not participate in the trial. Following behavioural intervention approaches, these small-scale trials could be set up as Randomised Control Trials (RCTs) to assess their potential effectiveness before any steps are taken to roll out state-wide.

Such evaluation approaches are being used by the Behavioural Economics Team of the Australian Government (BETA), the NSW Behavioural Insights Unit (BIU), and the Australian Government's newly-established Australian Centre for Evaluation.

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## RECOMMENDATION

**Continue to invest in research to build the evidence base for action on gender pay equity, particularly for small and medium sized firms. Prioritise investment in rigorous evaluation processes and supporting the open sharing of experiences of what works and what doesn't, recognising differences between different types of firms.**

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### Leverage existing data reporting frameworks

The Victorian Government could leverage existing data collection processes by WGEA by exploring a mechanism to link employer-level data from WGEA to the Social Procurement Framework (prefill), rather than asking firms to demonstrate gender equality policies in a separate process. This would reduce the burden on businesses and remove any misrepresentation of efforts, ensuring that firms are being rewarded for good performance.

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## RECOMMENDATION

**Use WGEA employer data in tools such as Victoria's Social Procurement Framework.**

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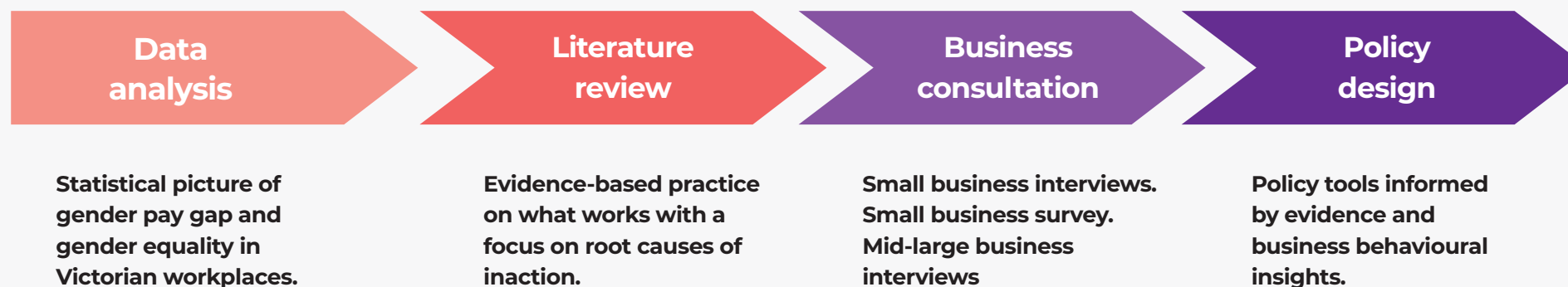
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# Annex 1: Research methodology

The research approach is shown in Figure A1.

**FIGURE A1** Overview of research methodology



Firstly, a statistical picture and analytical assessment of gender equality and pay equity was compiled drawing on data from the ABS and the HILDA Survey for all firms, and where data permitted, from the WGEA Employer Census data for large firms. Secondly, multiple strands of literature were reviewed to search evidence on what works (and what does not), with a focus on the behavioural insights literature to understand the underlying causes of firm action or inaction on gender equality. This data and literature formed a conceptual framework for the next stages of our analysis.

The data and literature were used to shape business consultations including the selection of focus industries, the design of interview and survey questions, and the creation of indicative firm profiles.

To arrive at policy-relevant insights, our final step involved analysing and synthesising the business consultation findings in the context of our research framework and analytical lens. This provided the base our proposed set of action-oriented policy tools that are grounded in research and evidence, and are practically tailored to the different circumstances and behavioural factors of different types of firms.

## Profile of Victorian private sector for this research

Industries that comprise the largest shares of SME employment in Victoria are:<sup>11</sup>

- Construction (18.2%)
- Professional, Scientific and Technical Services (11.8%)
- Health Care and Social Assistance (10.9%)
- Manufacturing (9.9%)
- Accommodation and Food Services (8.2%)
- Retail Trade (7.3%)

11. Author calculations based on HILDA (2022). Small and medium sized businesses are defined as employers with fewer than 100 employees. Location (that is, Victoria) is based on the employees' residential location.

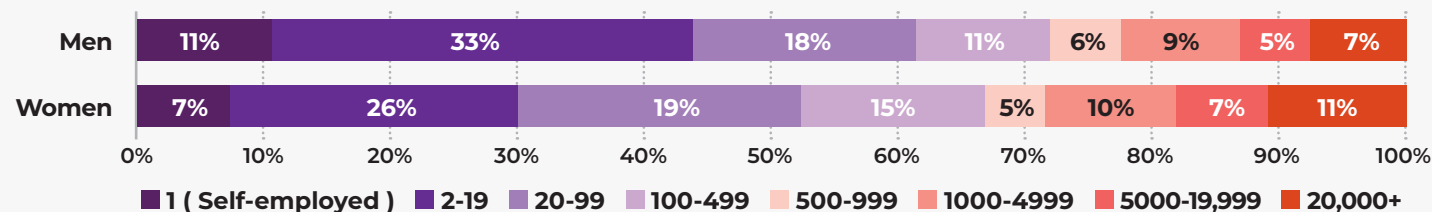
Targeting these industries will reach the largest overall share of the Victorian workforce employed in private SMEs who do not currently benefit from the gender equality initiatives that operate through WGEA. Similarly, the Victorian public service, local governments and universities are covered by the Commission for Gender Equality in the Public Sector (CGEPS) framework.

The data also show over half of Victoria's private sector workforce are employed in organisations with fewer than 100 employees and proportionately more women than men are employed in very large organisations.

In terms of large Victorian private sector employers reporting to WGEA (>100 employees), the professional, scientific and technical services sector has the most entities with very large gender pay gaps (>30%), followed by construction and financial and insurance services.

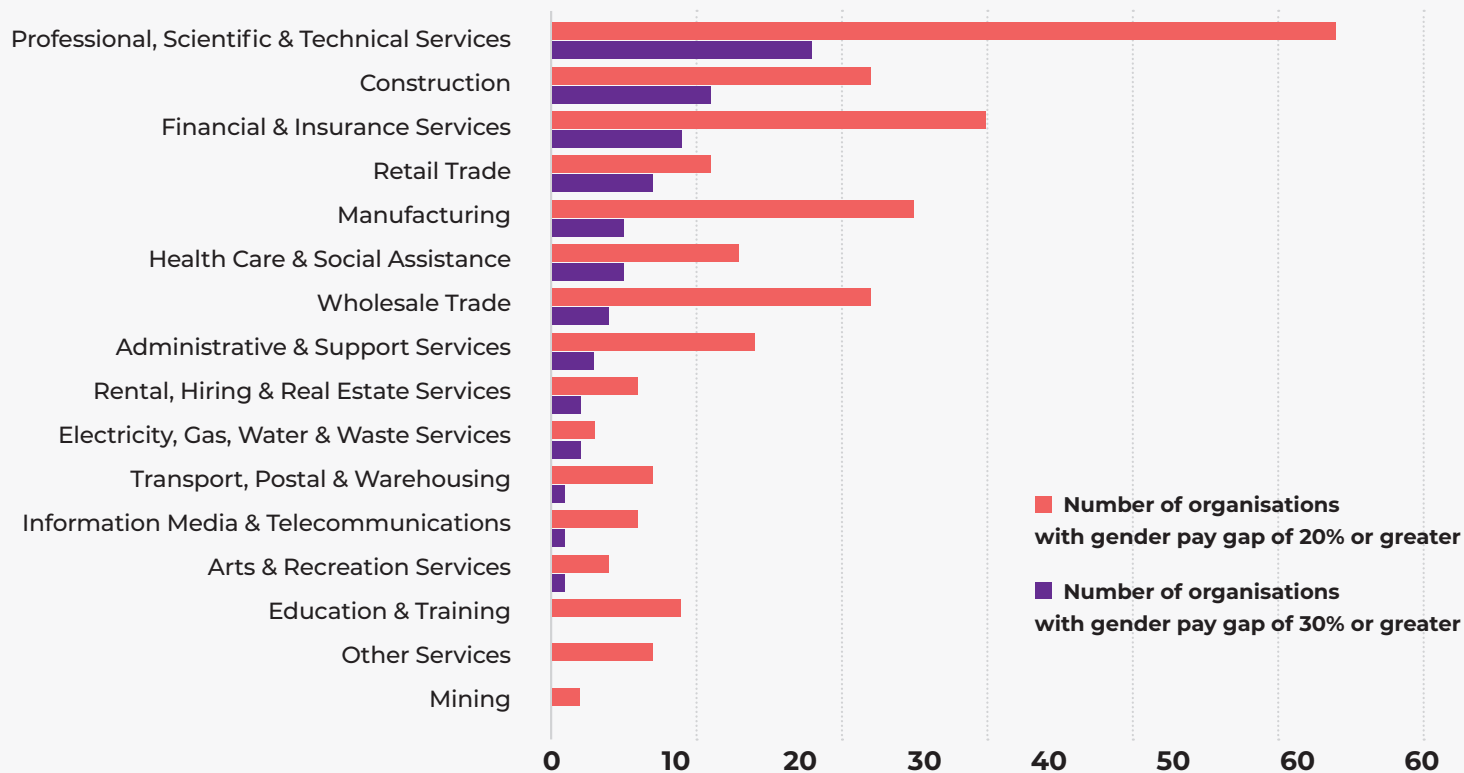
**Source:** Authors' calculations using WGEA Employer Census 2022-23. Data for private sector companies with 100 or more employees whose primary location is Victoria. Gender pay gap for base salary. Industries are listed in order of highest counts in the range of 30% or greater.

**FIGURE A2** Distribution of Victorian private sector workforce by employer size (2022)



**Source:** Authors' calculations using HILDA Survey 2022. Population-weighted. Employer size is defined by the number of employees employed by the organisation at all locations around Australia.

**FIGURE A3** Number of organisations with largest median gender pay gaps, Victorian private sector employers, by industry, 2022-23



## Business consultation

Businesses were recruited for this research using the following methods:

- In-person interviews with 74 small businesses at the Commbank Small Biz Week, including walk-by firms not typically engaged, or actively resistant to gender equality or pay equity.
- Online survey of gender equality attitudes and actions on pay equity, completed by 56 small business owners, managers and employees recruited at the Small Biz Week, through LinkedIn advertising and email newsletters from MGA Independent Businesses Australia.
- Online interviews (both one-to-one and in focus groups) with 13 participants from large businesses and seven participants from small businesses recruited through multiple channels including direct targeting, advertising through LinkedIn local government newsletters from the City of Melbourne, Wyndham, Ballarat and Dandenong, Champions of Change Coalition (formerly Male Champions of Change), and industry associations such as Australian Manufacturing Technology Institute Limited.

Table A1 summarises the business consultation.

**TABLE A1 Summary of participants**

Channel	Total	Female	Male	Non-binary	Did not say	Details
Interviews (1)	74	35	39			In-person interviews with small businesses at Commbank Small Biz Week (28-30 May 2024).
Survey	56	32	20	1	3	Survey distributed at Small Biz Week and via LinkedIn advertising (51 small firms, 3 large firms, 2 did not say).
Focus groups	9	7	2			Online focus groups with large business, and small business through Wyndham council.
Interviews (2)	11	8	3			Online interviews with small and large businesses.
<b>Total</b>	<b>150</b>	<b>82</b>	<b>64</b>	<b>1</b>	<b>3</b>	



The method for analysing the qualitative data from both small and large businesses was:

- **Transcription.** Transcribing all of the qualitative data collected including demographic data where possible.
- **Coding.** Using a coding process to categorise data into meaningful segments that seeks to answer the research questions.
- **Theming.** Analysing the codes to identify common themes and patterns, looking for common ideas or experiences related to understanding and reducing the gender pay gap.
- **Interpretation.** Reflecting on the implications of identified themes, considering how they relate to the research question.
- **Validation and testing.** Testing themes and their interpretation against what arose from the literature review and quantitative analysis.

The quantitative data from the online survey was analysed using two main approaches: descriptives and comparisons:

- **Descriptive analysis** summarised and described the characteristics of the data, including calculating measures of central tendency (mean, median, mode) and variability (standard deviation, range) for continuous and ordinal variables (e.g. prioritising closing the gender wage gap, attitudes towards gender

roles) as well as frequencies or percentages for categorical variables (e.g. gender).

- **In terms of comparisons,** our analysis sought to identify differences or relationships between groups or variables. This involved comparing means using t-tests or ANOVA, examining relationships through correlation or ordered probit analysis, and using Chi-square tests for categorical data comparisons. These comparative analyses help determine whether observed differences are statistically significant and offer insights into potential causal relationships or underlying trends within the survey data.

The survey instrument is contained in Annex 6.

Originally, we planned a policy co-design workshop with small businesses. Co-design uses design thinking methodologies to centre the day-to-day human experience of small business owners in developing solutions. Given the time constraints faced by small businesses, rather than holding a single co-design workshop, policy initiatives were discussed and tested with small business owners individually through a number of interviews. This reinforces our findings that small businesses have much less capacity to consider and respond to business issues, including around pay. We have taken these insights into policy design by recommending interventions to meet small businesses where they are at, and to be easy to implement.

## Limitations

The content presented in this report is limited to evidence that could be collated and synthesised within the timeframe of the project. While the research has aimed to identify key insights, it does not claim to offer an exhaustive review. A caveat to this research is that this existing knowledge base is constrained by a lack of rigorous evaluations and sharing of experiences publicly, particularly negative ones.

Similarly, the small sample size of qualitative data from large businesses is a constraint on the insights from consultation. However, we note that the views of large businesses about the gender pay gap are well-documented in their Employer Statements to WGEA and in other publications.

We note that we did not have sufficient data to unpack if firm profiles were more or less common for instance among small or medium businesses, urban-rural, male-dominated industries and other segments. This could be an area for further research.

## Annex 2: Gender pay gap decomposition methodology and full results

### Methodology

As per standard labour market analysis, we estimate a linear model of hourly wage rates as a function of a range of individual and workplace characteristics. We then apply an Oaxaca-Blinder decomposition model to analyse the factors contributing to the gender pay gap (Blinder 1973; Oaxaca 1973). This decomposition approach distinguishes between:

- the component of the gender gap in wage rates that is statistically explained by differences in the characteristics of men and women, such as the types of industries and occupations they are employed in (which we call 'compositional effects')
- the component of the gender gap in wage rates that is due to a given characteristic generating a different wage premium or penalty between men and women, such as a man receiving a higher wage payoff than women for same educational qualification (which we call the 'coefficient effects').

Our analysis estimates the hourly wage rate in log form, for men ( $m$ ) and women ( $f$ ), as:

$$\overline{\ln W}_m = \hat{\beta}_m \overline{X}_m + \varepsilon_m \quad \text{where } \varepsilon_m \sim N(0, \sigma_{em}^2) \quad (\text{Equation 1})$$

$$\overline{\ln W}_f = \hat{\beta}_f \overline{X}_f + \varepsilon_f \quad \text{where } \varepsilon_f \sim N(0, \sigma_{ef}^2) \quad (\text{Equation 2})$$

where  $\overline{\ln W}_m$  and  $\overline{\ln W}_f$  are the mean values of the log of hourly wages,  $\overline{X}_m$  and  $\overline{X}_f$  denote the mean values of the explanatory variables,  $\hat{\beta}_m$  and  $\hat{\beta}_f$  denote the coefficients to be estimated by the model,  $\varepsilon_m$  and  $\varepsilon_f$  are the error terms that follow a normal distribution.

As wages are observed only for people who are employed, a Heckman model is applied to control for sample selection into employment (Beblo et al. 2003; Heckman 1979; Neuman and Oaxaca 2004). The selection equation is estimated a probit function:

$$L_i^* = \hat{\gamma}_i Z_i + u_i \quad u_i \sim N(0, \sigma_i^2) \quad (\text{Equation 3})$$

where  $L_i^*$  refers to the latent variable denoting employment for individual  $i$ ,  $Z_i$  is the set of observed explanatory variable that predict the likelihood of employment,  $\hat{\gamma}_i$  are the coefficients to be estimated, and  $u_i$  is the error term. The latent variable  $L_i^*$  is estimated based on observed values of  $L_i$ , which take a value of 1 if the latent variable exceeds zero and 0 otherwise.

The wage estimation is augmented with the selection correction term, as per Heckman (1979):

$$\overline{\ln W}_i = \hat{\beta}_i \overline{X}_i + \hat{\theta}_i \lambda_i \quad \text{where } \lambda_i = \phi(\hat{\gamma}_i Z_i) / \Phi(\hat{\gamma}_i Z_i) \quad (\text{Equation 4})$$

In this expression,  $\phi$  and  $\Phi$  denote the density and distribution functions for a standard normal variable,  $\hat{\theta}_i$  denotes the coefficient to be estimated, and  $\hat{\theta}_i$  is equivalent to  $\rho_{\varepsilon_i u_i} \sigma_{\varepsilon_i}$  where  $\rho_{\varepsilon_i u_i}$  denotes the correlation coefficient between the error terms of the wage and selection equations.

We use a Oaxaca-Blinder decomposition model to analyse the factors that contribute to the gender pay gap, while also acknowledging the formative work of Kitagawa on decomposition techniques (Kitagawa 1955; Blinder 1973; Oaxaca 1973).

To set a reference against which gender-specific parameters are compared, a pooled sample methodology is adopted as per Neumark (1988). Denoted by  $\bar{w}_p$ , the estimated wage rate based on the pooled sample is expressed as:

$$\overline{\ln W}_p = \hat{\beta}_p \bar{X}_p + \varepsilon_p \quad \varepsilon_p \sim N(0, \sigma_{\varepsilon_p}^2) \quad (\text{Equation 5})$$

Inserting the wage equation and selectivity correction term, we arrive at the wage decomposition model adjusted for selection into employment, as per Mavromaras and Rudolph (1997):

$$\overline{\ln W}_m - \overline{\ln W}_f = \hat{\beta}_p (\bar{X}_m - \bar{X}_f) + (\hat{\beta}_m - \hat{\beta}_p) \bar{X}_m + (\hat{\beta}_p - \hat{\beta}_f) \bar{X}_f + \hat{\theta}_p (\lambda_m - \lambda_f) + (\hat{\theta}_m - \hat{\theta}_p) \lambda_m + (\hat{\theta}_p - \hat{\theta}_f) \lambda_f \quad (\text{Equation 6})$$

## How to read the results tables

The results of our linear wage equation reports the coefficients for each explanatory variable (Table A2). A positive sign indicates that the variable correlates to a higher wage rate, holding all else constant. Conversely, a negative sign denotes a correlation to a lower wage rate. The level of statistical significance of each explanatory factor is denoted by asterisk symbols, where \*\*\* denotes the highest level of significance.

The results of the decomposition analysis reports two columns of results: composition effects and coefficient effects (Table A3). The magnitude of these values provides a sense of the substantive effect of each explanatory factor in explaining the overall gender pay gap.

For the decomposition results, a positively-signed coefficient indicates that the factor has the effect of widening the gender pay gap in favour of men.

Conversely, a negatively-signed coefficient indicates the factor has the effect of narrowing the gender pay gap in favour of women. For example:

- The **positively-signed** coefficient for Individual contracts, under **composition effects**, indicates that the larger share of men who are on individual wage-setting arrangements, compared to women, is a factor that works in favour of men and contributes to widening the overall gender pay gap.
- The **negatively-signed** coefficient for the University variable, under **compositional effects**, indicates that the larger share of women who hold a university qualification, compared to men, is a factor that works in favour of women and contributes to narrowing the overall gender pay gap.
- The **positively-signed** coefficient for the 34-44 age range, under **coefficient effects**, indicates that men in this age group experience a higher wage premium than women with the same characteristics as them in the same age group, which contributes to widening the overall gender pay gap.
- The **negatively-signed** coefficient for the 20-99 employees sized organisation, under **coefficient effects**, reflects the finding that women in this organisation size do not experience as much of a loss in wages as men do, relative to working in another sized organisation, which contributes to narrowing the overall gender pay gap. (This can be detected by comparing the coefficients of the organisation size variables for men and women in Table A2). This finding arises because men working in 100-499 employee size organisations (the reference category) experience a significantly higher wage premium compared to most other size categories, whereas women's wage structure is flatter in its distribution.

## Results tables

The tables of results are provided for the analysis of the Victorian private sector workforce sample available in the HILDA Survey for 2022. A similar set of models were estimated for the sample of the Victorian workforce (both private and public sectors) and for the Australian workforce as a whole, for a comparison reference point as well as greater statistical robustness owing to a larger sample size.

**TABLE A2 Wage equations: Determinants of wages, Victoria private sector**

Explanatory factors	Men			Women			All		
	Coeff.	Std. Error		Coeff.	Std. Error		Coeff.	Std. Error	
<b>Outcome equation: Hourly wage rate</b>									
Gender: Female	–			–			-0.071	(0.020)	***
Wage-setting: Collective/enterprise agreement	0.051	(0.047)		0.084	(0.036)	**	0.076	(0.029)	***
Wage-setting: Individual contract	0.102	(0.043)	**	0.116	(0.032)	***	0.115	(0.026)	***
Age: 25-34	0.134	(0.045)	***	0.133	(0.041)	***	0.131	(0.030)	***
Age: 35-44	0.278	(0.048)	***	0.155	(0.044)	***	0.213	(0.033)	***
Age: 45-54	0.324	(0.051)	***	0.252	(0.046)	***	0.279	(0.035)	***
Age: 55-64	0.272	(0.055)	***	0.224	(0.052)	***	0.255	(0.038)	***
Education: Vocational	0.004	(0.034)		0.023	(0.032)		0.013	(0.024)	
Education: University	0.127	(0.039)	***	0.117	(0.036)	***	0.119	(0.026)	***
English proficiency: Low	-0.228	(0.223)		-0.496	(0.217)	**	-0.277	(0.155)	*
English proficiency: Mid	-0.135	(0.143)		-0.003	(0.134)		-0.088	(0.099)	
Tenure in occupation	0.014	(0.004)	***	0.006	(0.004)		0.011	(0.003)	***
Tenure in occupation (sq)	0.000	(0.000)	**	0.000	(0.000)		0.000	(0.000)	**
Location: Major city	0.023	(0.029)		0.078	(0.027)	***	0.047	(0.020)	**
Casual	0.031	(0.040)		0.074	(0.033)	**	0.063	(0.026)	**
Union member	0.189	(0.042)	***	0.024	(0.039)		0.117	(0.028)	***
Overtime	-0.008	(0.034)		-0.087	(0.049)	*	-0.030	(0.028)	
Employer size: 1 (Self-employed)	-0.495	(0.316)		0.005	(0.150)		-0.095	(0.139)	
Employer size: 2-19	-0.173	(0.044)	***	-0.062	(0.037)	*	-0.116	(0.028)	***
Employer size: 20-99	-0.112	(0.041)	***	0.030	(0.036)		-0.044	(0.027)	*

Explanatory factors	Men			Women			All		
	Coeff.	Std. Error		Coeff.	Std. Error		Coeff.	Std. Error	
Employer size: 500-999	-0.054	(0.056)		0.062	(0.055)		0.000	(0.039)	
Overtime	-0.008	(0.034)		-0.087	(0.049)	*	-0.030	(0.028)	
Employer size: 1 (Self-employed)	-0.495	(0.316)		0.005	(0.150)		-0.095	(0.139)	
Employer size: 2-19	-0.173	(0.044)	***	-0.062	(0.037)	*	-0.116	(0.028)	***
Employer size: 20-99	-0.112	(0.041)	***	0.030	(0.036)		-0.044	(0.027)	*
Employer size: 500-999	-0.054	(0.056)		0.062	(0.055)		0.000	(0.039)	
Employer size: 1000-4999	0.011	(0.046)		0.081	(0.042)		0.049	(0.031)	
Employer size: 5000-19,999	0.001	(0.056)		0.070	(0.046)		0.039	(0.036)	
Employer size: 20,000+	-0.093	(0.055)	*	0.049	(0.044)		-0.012	(0.035)	
Sector: Private for-profit	0.027	(0.058)		-0.023	(0.036)		0.013	(0.031)	
Industry: Agriculture, Forestry and Fishing	0.025	(0.103)		0.032	(0.136)		0.000	(0.077)	
Industry: Mining	0.301	(0.133)	**	-0.077	(0.213)		0.232	(0.109)	**
Industry: Manufacturing	0.066	(0.077)		0.065	(0.074)		0.065	(0.052)	
Industry: Electricity, Gas, Water and Waste Services	0.255	(0.113)	**	0.369	(0.146)	**	0.304	(0.087)	***
Industry: Construction	0.154	(0.075)	**	0.010	(0.091)		0.118	(0.053)	**
Industry: Wholesale Trade	0.105	(0.087)		-0.089	(0.094)		0.049	(0.062)	
Industry: Retail Trade	0.028	(0.088)		-0.029	(0.072)		-0.006	(0.057)	
Industry: Accommodation and Food Services	-0.129	(0.093)		-0.157	(0.070)	**	-0.131	(0.056)	**
Industry: Transport, Postal and Warehousing	0.087	(0.091)		0.108	(0.095)		0.108	(0.065)	*
Industry: Information Media and Telecommunications	0.033	(0.139)		0.005	(0.094)		0.010	(0.079)	
Industry: Financial and Insurance Services	0.279	(0.089)	***	0.190	(0.074)	**	0.219	(0.058)	***
Industry: Rental, Hiring and Real Estate Services	-0.132	(0.194)		0.002	(0.105)		0.001	(0.094)	
Industry: Professional, Scientific and Technical Services	0.169	(0.081)	**	0.045	(0.069)		0.106	(0.053)	**
Industry: Administrative and Support Services	0.116	(0.107)		0.071	(0.092)		0.097	(0.071)	

Explanatory factors	Men			Women			All		
	Coeff.	Std. Error		Coeff.	Std. Error		Coeff.	Std. Error	
Industry: Public Administration and Safety	0.251	(0.130)	*	0.143	(0.159)		0.197	(0.099)	**
Industry: Education and Training	0.048	(0.096)		-0.009	(0.073)		0.014	(0.059)	
Industry: Health Care and Social Assistance	0.074	(0.091)		0.040	(0.061)		0.052	(0.050)	
Industry: Arts and Recreation Services	-0.203	(0.124)	*	-0.152	(0.134)		-0.159	(0.090)	*
Occupation: Managers	0.258	(0.060)	***	0.277	(0.056)	***	0.279	(0.041)	***
Occupation: Professionals	0.121	(0.062)	*	0.230	(0.056)	***	0.169	(0.042)	***
Occupation: Technicians and Trades Workers	0.019	(0.062)		0.004	(0.067)		0.030	(0.044)	
Occupation: Community and Personal Services	0.106	(0.088)		0.032	(0.055)		0.035	(0.046)	
Occupation: Clerical and Administrative Workers	-0.040	(0.076)		0.027	(0.055)		0.000	(0.043)	
Occupation: Machinery Operators and Drivers	-0.061	(0.066)		0.041	(0.100)		-0.037	(0.050)	
Occupation: Labourers	-0.033	(0.068)		0.146	(0.069)	**	0.025	(0.047)	
Constant	3.153	(0.114)	***	3.056	(0.087)	***	-0.071	(0.020)	***
<b>Selection equation: Employed</b>									
Gender: Female	-			-			-0.312	(0.123)	**
Age: 25-34	0.220	(0.204)		0.280	(0.179)		0.250	(0.133)	*
Age: 35-44	0.100	(0.230)		0.202	(0.199)		0.137	(0.148)	
Age: 45-54	-0.217	(0.219)		-0.088	(0.199)		-0.148	(0.146)	
Age: 55-64	-0.812	(0.206)	***	-0.858	(0.175)	***	-0.850	(0.133)	***
Student	-0.741	(0.185)	***	-0.490	(0.160)	***	-0.596	(0.119)	***
Education: Vocational	0.297	(0.136)	**	0.236	(0.117)	**	0.268	(0.088)	***
Education: University	0.492	(0.161)	***	0.485	(0.124)	***	0.497	(0.097)	***
English proficiency: Low	0.458	(0.763)		-0.392	(0.665)		-0.035	(0.493)	
English proficiency: Mid	-0.479	(0.527)		-1.121	(0.341)	***	-0.940	(0.276)	***
Location: Major city	0.157	(0.121)		0.090	(0.100)		0.113	(0.077)	
Single	-0.556	(0.139)	***	-0.031	(0.107)		-0.614	(0.128)	***

Explanatory factors	Men			Women			All		
	Coeff.	Std. Error		Coeff.	Std. Error		Coeff.	Std. Error	
Recent new baby	-0.191	(0.399)		-1.216	(0.237)	***	-0.177	(0.394)	
Number of children aged 4 or younger	0.253	(0.198)		-0.237	(0.118)	**	0.236	(0.188)	
Number of children aged 5 to 14	0.004	(0.095)		-0.213	(0.071)	***	-0.002	(0.089)	
Number of children aged 15 to 24	0.147	(0.120)		0.040	(0.082)		0.162	(0.118)	
Carer responsibilities	-0.814	(0.299)	***	-0.662	(0.223)	***	-0.692	(0.176)	***
Health condition	-0.886	(0.121)	***	-0.752	(0.098)	***	-0.794	(0.076)	***
Constant	1.160	(0.214)	***	0.849	(0.172)	***	0.623	(0.156)	***
<b>Selection parameters</b>									
$\rho$	-0.239	(0.164)		-0.175	(0.138)		-0.290	(0.097)	***
$\sigma$	-1.185	(0.030)	***	-1.252	(0.029)	***	-1.185	(0.021)	***
<b>Model parameters</b>									
Number of observations: Wage equation	674			685			1,359		
Number of observations: Selection equation	876			1,017			1,893		
$\chi^2$ (degrees of freedom)	625.17 (49)			554.24 (49)			1099.02 (50)		
Prob > $\chi^2$	0.000			0.000			0.000		
Log likelihood	-507.77			-632.45			-1178.04		

Source: Authors' estimations using HILDA 2022. Standard errors in brackets. Statistical significance denoted as \*\*\*1%, \*\* 5%, \* 10%.



**TABLE A3 Decomposition analysis: Determinants of gender pay gap, Victoria private sector**

Explanatory factors	Compositional effects			Coefficient effects		
	Coeff.	Std. Error		Coeff.	Std. Error	
Wage-setting: Collective/enterprise agreement	-0.001	(0.002)		-0.008	(0.013)	
Wage-setting: Individual contract	0.014	(0.004)	***	-0.009	(0.030)	
Age: 25-34	0.000	(0.003)		0.000	(0.015)	
Age: 35-44	0.004	(0.005)		0.029	(0.015)	**
Age: 45-54	0.002	(0.006)		0.013	(0.012)	
Age: 55-64	0.001	(0.005)		0.007	(0.010)	
Education: Vocational	0.001	(0.002)		-0.007	(0.015)	
Education: University	-0.009	(0.004)	**	0.003	(0.018)	
English proficiency: Low	0.000	(0.001)		0.001	(0.001)	
English proficiency: Mid	0.000	(0.000)		-0.001	(0.001)	
Tenure in occupation	0.009	(0.006)		0.062	(0.040)	
Tenure in occupation (sq)	-0.006	(0.004)		-0.032	(0.022)	
Location: Major city	0.000	(0.001)		-0.040	(0.028)	
Casual	-0.004	(0.002)	*	-0.008	(0.010)	
Union member	0.003	(0.002)		0.021	(0.007)	***
Overtime	-0.003	(0.003)		0.007	(0.006)	
Employer size: Self-employed	0.000	(0.001)		-0.001	(0.001)	
Employer size: 2-19	-0.003	(0.003)		-0.025	(0.013)	*
Employer size: 20-99	-0.001	(0.001)		-0.032	(0.013)	***
Employer size: 100-499	0.000	(0.001)		-0.007	(0.005)	
Employer size: 1000-4999	0.001	(0.001)		-0.009	(0.008)	
Employer size: 5000-19,999	0.000	(0.001)		-0.005	(0.006)	
Employer size: 20,000+	0.000	(0.001)		-0.015	(0.007)	**
Sector: Private for-profit	0.002	(0.004)		0.043	(0.063)	
Industry: Agriculture, Forestry and Fishing	0.000	(0.002)		0.000	(0.003)	
Industry: Mining	0.002	(0.002)		0.002	(0.001)	
Industry: Manufacturing	0.007	(0.005)		0.000	(0.011)	
Industry: Electricity, Gas, Water and Waste Services	0.004	(0.002)		-0.001	(0.002)	

Explanatory factors	Compositional effects			Coefficient effects		
	Coeff.	Std. Error		Coeff.	Std. Error	
Industry: Construction	0.018	(0.007)	**	0.009	(0.009)	
Industry: Wholesale Trade	0.002	(0.002)		0.007	(0.004)	
Industry: Retail Trade	0.000	(0.002)		0.006	(0.010)	
Industry: Accommodation and Food Services	0.007	(0.003)	**	0.003	(0.008)	
Industry: Transport, Postal and Warehousing	0.003	(0.002)		-0.001	(0.005)	
Industry: Information Media and Telecommunications	0.000	(0.001)		0.000	(0.002)	
Industry: Financial and Insurance Services	-0.002	(0.003)		0.006	(0.007)	
Industry: Rental, Hiring and Real Estate Services	0.000	(0.001)		-0.001	(0.001)	
Industry: Professional, Scientific and Technical Services	0.001	(0.002)		0.012	(0.010)	
Industry: Administrative and Support Services	0.000	(0.001)		0.001	(0.003)	
Industry: Public Administration and Safety	0.001	(0.001)		0.001	(0.002)	
Industry: Education and Training	0.000	(0.002)		0.003	(0.006)	
Industry: Health Care and Social Assistance	-0.011	(0.009)		0.004	(0.012)	
Industry: Arts and Recreation Services	-0.001	(0.001)		-0.001	(0.002)	
Occupation: Managers	0.018	(0.006)	***	-0.004	(0.013)	
Occupation: Professionals	-0.005	(0.004)		-0.026	(0.019)	
Occupation: Technicians and Trades Workers	0.005	(0.007)		-0.001	(0.010)	
Occupation: Community and Personal Services Workers	-0.005	(0.006)		0.003	(0.008)	
Occupation: Clerical and Administrative Workers	0.000	(0.006)		-0.008	(0.010)	
Occupation: Machinery Operators and Drivers	-0.004	(0.004)		-0.004	(0.006)	
Occupation: Labourers	0.001	(0.002)		-0.012	(0.007)	*
Constant	0.051	(0.018)	***	0.098	(0.138)	

Estimated wage rate	
Men (\$)	\$40.84
Women (\$)	\$35.77
Gender pay gap (\$)	\$5.07
Gender pay gap (%)	12.0%

**Source:** Authors' estimations using HILDA 2022. Decomposition based on models reported in Table A3. Coeff. refers to estimated coefficient. Standard errors in brackets. Statistical significance denoted as \*\*\* 1%, \*\* 5%, \* 10%.

**TABLE A4 Decomposition analysis: Components of gender pay gap, Victoria private sector**

Category of factors	Compositional effects					Coefficient effects					Total
	Coeff.	Std. Error		% share of gap	\$	Coeff.	Std. Error		% share of gap	\$	
Industry	0.030	(0.011)	***	2.8%	\$1.14	0.050	(0.077)		4.7%	\$1.90	\$3.04
Age	0.007	(0.005)		0.7%	\$0.28	0.049	(0.043)		4.6%	\$1.89	\$2.17
Sector	0.002	(0.004)		0.1%	\$0.06	0.043	(0.063)		4.0%	\$1.63	\$1.69
Experience	0.004	(0.003)		0.3%	\$0.14	0.030	(0.023)		2.8%	\$1.15	\$1.29
Job characteristics	-0.004	(0.004)		-0.3%	-\$0.14	0.020	(0.014)		1.8%	\$0.75	\$0.62
English proficiency	0.000	(0.001)		0.0%	\$0.00	0.000	(0.001)		0.0%	-\$0.01	-\$0.01
Wage-setting	0.013	(0.004)	***	1.2%	\$0.50	-0.016	(0.039)		-1.5%	-\$0.63	-\$0.12
Education	-0.008	(0.003)	**	-0.7%	-\$0.30	-0.003	(0.029)		-0.3%	-\$0.12	-\$0.42
Location	0.000	(0.001)		0.0%	\$0.00	-0.040	(0.028)		-3.8%	-\$1.55	-\$1.54
Occupation	0.010	(0.010)		0.9%	\$0.37	-0.052	(0.062)		-4.9%	-\$1.99	-\$1.62
Employer size	-0.003	(0.004)		-0.3%	-\$0.12	-0.095	(0.038)	**	-8.9%	-\$3.63	-\$3.75
Constant	-			-		0.098	(0.138)		9.2%	\$3.74	\$3.74
Total	0.051	(0.018)	***	4.7%	\$1.94	0.082	(0.027)	***	7.7%	\$3.14	\$5.07

**Source:** Authors' estimations using HILDA 2022. Decomposition based on models reported in Table A3. Coeff. refers to estimated coefficient. Standard errors in brackets. Statistical significance denoted as \*\*\*1%, \*\*5%, \*10%. Categories are listed in order of their total magnitude. The constant value indicates there are additional factors not observed in this model that contribute to widening the gender pay gap.

**TABLE A5 Summary statistics, Victoria private sector**

Explanatory factors	Men		Women		All	
	Mean.	Std. dev	Mean.	Std. dev	Mean.	Std. dev
Gender: Female	0	(0.00)	1	(0.00)	0.54	(0.50)
Hourly wage rate (\$)	44.16	(21.53)	37.98	(17.74)	41.04	(19.95)
Hourly wage rate (log)	3.69	(0.43)	3.56	(0.39)	3.62	(0.42)
Weekly hours	39.07	(10.89)	31.80	(11.93)	35.41	(11.98)
Employed	0.77	(0.42)	0.67	(0.47)	0.72	(0.45)
Wage-setting: Award (ref)	0.13	(0.34)	0.24	(0.43)	0.19	(0.39)
Wage-setting: Collective/enterprise agreement	0.23	(0.42)	0.24	(0.43)	0.23	(0.42)
Wage-setting: Individual contract	0.64	(0.48)	0.52	(0.50)	0.58	(0.49)
Age 15-24 (ref)	0.19	(0.39)	0.19	(0.40)	0.19	(0.40)
Age: 25-34	0.23	(0.42)	0.23	(0.42)	0.23	(0.42)
Age: 35-44	0.21	(0.41)	0.20	(0.40)	0.21	(0.40)
Age: 45-54	0.18	(0.38)	0.17	(0.38)	0.17	(0.38)
Age: 55-64	0.19	(0.39)	0.20	(0.40)	0.20	(0.40)
Education: No post-school qualification (ref)	0.36	(0.48)	0.36	(0.48)	0.36	(0.48)
Education: Vocational	0.36	(0.48)	0.31	(0.46)	0.33	(0.47)
Education: University	0.28	(0.45)	0.34	(0.47)	0.31	(0.46)
English proficiency: Low	0.00	(0.06)	0.00	(0.06)	0.00	(0.06)
English proficiency: Mid	0.01	(0.10)	0.02	(0.14)	0.01	(0.12)
English proficiency: High (ref)	0.99	(0.11)	0.98	(0.15)	0.98	(0.13)
Tenure in occupation	8.24	(10.08)	7.35	(8.75)	7.80	(9.44)
Tenure in occupation (squared)	169.4	(360.3)	130.6	(275.7)	149.8	(320.9)
Location: Major city	0.72	(0.45)	0.71	(0.46)	0.71	(0.45)
Sector: Private for-profit	0.94	(0.24)	0.81	(0.39)	0.87	(0.33)
Sector: Private not-for-profit (ref)	0.06	(0.24)	0.19	(0.39)	0.13	(0.33)
Casual	0.17	(0.37)	0.23	(0.42)	0.20	(0.40)

TABLE A5 Summary statistics, Victoria private sector *CONTINUED*

Explanatory factors	Men		Women		All	
	Mean.	Std. dev	Mean.	Std. dev	Mean.	Std. dev
Union member	0.14	(0.35)	0.11	(0.32)	0.13	(0.33)
Overtime	0.16	(0.36)	0.06	(0.23)	0.11	(0.31)
Employer size: 1 (Self-employed)	0.001	(0.04)	0.01	(0.08)	0.004	(0.06)
Employer size: 2-19	0.24	(0.43)	0.21	(0.41)	0.23	(0.42)
Employer size: 20-99	0.24	(0.43)	0.22	(0.41)	0.23	(0.42)
Employer size: 100-499	0.15	(0.35)	0.18	(0.39)	0.17	(0.37)
Employer size: 500-999 (ref)	0.07	(0.25)	0.05	(0.22)	0.06	(0.24)
Employer size: 1000-4999	0.14	(0.34)	0.12	(0.32)	0.13	(0.33)
Employer size: 5000-19,999	0.07	(0.26)	0.09	(0.28)	0.08	(0.27)
Employer size: 20,000+	0.09	(0.28)	0.12	(0.33)	0.11	(0.31)
Occupation: Managers	0.15	(0.36)	0.09	(0.29)	0.12	(0.32)
Occupation: Professionals	0.17	(0.38)	0.17	(0.38)	0.17	(0.38)
Occupation: Technicians and Trades Workers	0.16	(0.37)	0.03	(0.18)	0.09	(0.29)
Occupation: Community and Personal Services Workers	0.04	(0.20)	0.14	(0.35)	0.09	(0.29)
Occupation: Sales Workers (ref)	0.06	(0.24)	0.07	(0.26)	0.07	(0.25)
Occupation: Clerical and Administrative Workers	0.03	(0.16)	0.12	(0.32)	0.08	(0.27)
Occupation: Machinery Operators and Drivers	0.09	(0.28)	0.01	(0.10)	0.05	(0.21)
Occupation: Labourers	0.07	(0.26)	0.04	(0.19)	0.05	(0.23)
Industry: Agriculture, Forestry and Fishing	0.03	(0.17)	0.01	(0.09)	0.02	(0.14)
Industry: Mining	0.01	(0.11)	0.003	(0.05)	0.01	(0.09)
Industry: Manufacturing	0.17	(0.38)	0.07	(0.25)	0.12	(0.32)
Industry: Electricity, Gas, Water and Waste Services	0.02	(0.14)	0.01	(0.09)	0.01	(0.11)
Industry: Construction	0.18	(0.38)	0.02	(0.16)	0.10	(0.30)

Explanatory factors	Men		Women		All	
	Mean.	Std. dev	Mean.	Std. dev	Mean.	Std. dev
Industry: Wholesale Trade	0.06	(0.24)	0.02	(0.15)	0.04	(0.20)
Industry: Retail Trade	0.08	(0.28)	0.12	(0.33)	0.10	(0.31)
Industry: Accommodation and Food Services	0.05	(0.23)	0.11	(0.31)	0.08	(0.27)
Industry: Transport, Postal and Warehousing	0.05	(0.23)	0.02	(0.16)	0.04	(0.20)
Industry: Information Media and Telecommunications	0.01	(0.10)	0.02	(0.15)	0.02	(0.13)
Industry: Financial and Insurance Services	0.06	(0.23)	0.07	(0.25)	0.06	(0.24)
Industry: Rental, Hiring and Real Estate Services	0.004	(0.07)	0.02	(0.13)	0.01	(0.10)
Industry: Professional, Scientific and Technical Services	0.10	(0.31)	0.09	(0.29)	0.10	(0.30)
Industry: Administrative and Support Services	0.02	(0.14)	0.02	(0.16)	0.02	(0.15)
Industry: Public Administration and Safety	0.01	(0.11)	0.01	(0.08)	0.01	(0.09)
Industry: Education and Training	0.03	(0.18)	0.06	(0.25)	0.05	(0.22)
Industry: Health Care and Social Assistance	0.05	(0.21)	0.26	(0.44)	0.16	(0.36)
Industry: Arts and Recreation Services	0.01	(0.12)	0.01	(0.09)	0.01	(0.11)
Industry: Other Services (ref)	0.03	(0.17)	0.04	(0.20)	0.04	(0.19)
<b>Number of observations</b>						
Employed only	876		1,017		1,893	
Full selection sample	674		685		1,359	

**Source:** Authors' estimations using HILDA 2022. Standard errors in brackets. Reference categories indicated for each set of dummy variables.

## Summary of explanatory factors for gender pay gap in Victoria

The following table summarises the findings of the econometric analysis of the gender gap in hourly wages. The results for the Victorian private sector are compared to the results for Victoria as a whole and for Australia as a whole.

**TABLE A6 Summary of explanatory factors for gender pay gap in Victoria**

Explanatory factors	Victoria private sector	Victoria public and private sectors	Australia public and private sectors
<b>Factors that contribute to widening gender pay gap</b>			
<b>Wage-setting mechanism</b>	More men than women are employed on individual agreements (higher wage) More women than men are employed on awards and collective bargaining/enterprise agreements (lower wage)	Same dynamic detected for Victoria	Same dynamic detected for Australia Additionally for Australia Men experience a higher wage than women under collective bargaining/enterprise agreement
<b>Occupation</b>	More men than women are employed as Managers (higher wage)	Same dynamic detected for Victoria Additionally for Victoria: More men than women are employed as Technicians and Trades Workers (higher wage)	Same dynamic detected for Australia Additionally for Australia: More men than women are employed as Technicians and Trades Workers (higher wage) More women than men are employed as Community and Personal Services Workers (lower wage)
<b>Industry</b>	More men than women are employed in Construction (higher wage)	Same dynamic detected for Victoria	Same dynamic detected for Australia Additionally for Australia: More men than women are employed in Mining; Manufacturing; Electricity, Gas, Water and Waste Services; Wholesale Trade; Transport, Postal and Warehousing; Professional, Scientific and Technical Services; Public Administration and Safety (higher average wage)
<b>Industry</b>	More women than men are employed in Accommodation and Food Services (lower wage)	Same dynamic detected for Victoria	Same dynamic detected for Australia
<b>Industry</b>	Men employed in Wholesale Trade experience higher wages than women in this same industry ##	Same dynamic detected for Victoria	Additionally for Australia: Men employed in Wholesale Trade and Hiring, Rental and Real Estate Services experience higher wages than women in the same industry #
<b>Sector</b>		Men do not experience the same extent of lower wages that women do when working in the not-for-profit sector #	Same dynamic detected for Australia Additionally for Australia: More men are employed in the for-profit sector (lower wage) More women than men are employed in the not-for-profit private sector (lower)
<b>Employer size</b>	Proportionally more women than men are employed in very large organisations (20,000+ employees nationally) (lower average wage rates)	Same dynamic detected for Victoria	

**TABLE A6 Summary of explanatory factors for gender pay gap in Victoria** *CONTINUED*

Explanatory factors	Victoria private sector	Victoria public and private sectors	Australia public and private sectors
<b>Factors that contribute to widening gender pay gap</b>			
<b>Union membership</b>	Men who are union members experience higher wages than women who are union members #	Same dynamic detected for Victoria	Not detected for Australia
<b>Education and training</b>	More men than women hold vocational qualifications (higher average wage than no post-school qualifications)		
<b>Age</b>	Men aged 35-44 experience a higher wage than other age groups, whereas women in this 35-44 age group do not #	Same dynamic detected for Victoria	
<b>Experience</b>			Men have longer average tenure in occupation than women (higher wages)
<b>Factors that contribute to narrowing gender wage gap</b>			
<b>Education and training</b>	More women than men hold university qualifications (higher average wage than no post-school qualifications) (but gender differences in field of study/training)	Same dynamic detected for Victoria	
<b>Occupation</b>	More women than men are employed as Professionals (higher average wage)	Same dynamic detected for Victoria	Women employed in Clerical and Administrative Services experience higher average wage than men employed in same occupational category
<b>Employer size</b>	Proportionally more men than women are employed in very small organisations (2-19 employees nationally)		
<b>Industry</b>			More women in Community and Personal Services; Clerical and Administrative Workers (higher wage relative to Sales Workers who are set as comparison occupation) Women employed in Arts and Recreation Services experience higher average wage than men in same industry

**Source:** Authors' estimations using HILDA Survey 2022.  
# Denotes a coefficient effect. ## This coefficient effect associated with Wholesale Trade in the Victorian private sector is linked to for-profit organisations: when statistical controls are included in the model to distinguish between for-profit and not-for-profit organisations within the private sector, this industry effect subsides. Please note: While only findings that are found to be statistically significant are reported, dynamics that are detected for Australia could still be relevant for Victoria and the Victoria private sector. Owing to the smaller observation count for the Victoria and Victoria-private-sector analysis, the Australia-wide analysis provides relatively more robust statistical significance.

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## Annex 3: Literature on what works to close the gender pay gap

This literature review presents what is known so far about what works in progressing gender pay equity, as well as approaches that have not worked, backfired or had unintended negative effects. A caveat to this review is that this existing knowledge base is constrained by a lack of rigorous evaluations and sharing of these experiences publicly. Much of what is published, especially by industry reports, focuses on strategies that are considered to have succeeded, while strategies that did not work generally are not publicised. The Victorian Government's investment in research recognises this void and acknowledges that learning 'what doesn't work' and the reasons why organisations might not take action, is equally as important as learning from success stories.

### Criteria for evidence

The following criteria are applied to source evidence:

- Contemporary evidence (past 10 years or so), plus seminal papers.
- Relevant to Australian context.
- Research of academic level or rigorous examination (authored by experts in the field, published in a professional setting with preference for peer review).
- Research identifies differences that may arise for types of employers (e.g. large, medium or small enterprises).

### Sources of the gender pay gap

Our analysis identifies the multiple sources of the gender pay gap in the context of the Victorian private sector firms in the data. Within the wider literature on this issue, there is a broad understanding that the underlying root cause of the gender pay gap, and other gender disparities in the workforce and wider society, is the persistent power of gender norms in shaping people's opportunities, experiences, decisions, attitudes and behaviours.

The influence of gender norms manifests through a multitude of channels – from stereotypes conveyed in the media to the gender-patterned language used in job advertisement. Gender norms filter through to the unconscious favouritism applied

by employers when interacting with people with whom they share similar characteristics, including gender, in contrast to the weaker affinity they form with people from identities and experiences that differ from their own (Bohnet 2018).

A commonly cited research piece on the gender pay gap in Australia, produced by KPMG (2022), provides an example overview of some of the systemic drivers of the gender pay gap:

- **Type of job.** The unbalanced distribution of women and men in certain jobs, occupations or industries affects men's and women's average pay. Industrial segregation can be seen in the high number of women in education for example, relative to the low number of women in mining. Occupational segregation can be

seen in the underrepresentation of women in high paying roles, such as management and chief executives, and overrepresentation in low paying roles, such as care work. Analysis of labour market patterns in Australia shows that gender segregation across occupations and industries continues to be a starkly distinctive feature of Australia's workforce (Lind and Colquhoun 2021, WGEA 2019)

■ **Care, family and workforce participation.**

Career interruptions to care for young children and other family members are gendered, highly persistent and reduce future wages for women. Women are twice as likely as men to be in part-time employment and have higher unpaid work hours (KPMG 2022).

In relation to workforce participation, social norms about who is responsible for undertaking unpaid care and domestic work mean that women's 'choices' are inherently constrained by social expectations, and act as a barrier to full labour market opportunities and treatment.

- **Gender discrimination.** Gender discrimination can be regarded as the part of the pay gap that is not able to be explained by observable and defensible factors related to productivity, such as education and years of experience, or to the set of factors already included in the model such as type of employment. It manifests in ways such as systematic undervaluation and lack

of recognition of women's contributions, the allocation of less meaningful tasks to women, more hurdles and fewer opportunities for promotion for women, harsher scrutiny and more stringent standards for women to fulfil in recruitment and evaluation processes, and ultimately a faster acceleration of men up the career ladder and into higher-earning and more influential roles.

## What works

A range of measures implemented by governments and firms have been effective in reducing the gender pay gap as set out below. However, there is still a significant way to go in Australia in empowering firms with this knowledge and converting knowledge into action.

It has been observed that there is a need for large and medium sized firms to move from simply being aware of and measuring their gender pay gap to taking intentional action to close it (BCEC-WGEA 2023, PM&C 2021). Smaller firms, and indeed firms of any size that are lagging, have a need to deepen understanding of what equal pay means, and find cost-effective actions that are appropriate for them to take (VEOHRC 2021).

Broadly, organisation-level and government-level measures that have been found to be effective in narrowing the gender pay gap, in various contexts and internationally, include:

**Pay analysis and action plans.** Companies which undertake regular analyses of their gender pay gap and other gender indicators see a faster narrowing of their gender gaps compared to companies that do not (Cassells and Duncan 2018). This is confirmed by BCEC-WGEA (2023) analysis which found an acceleration in closing the gender pay gap for businesses that undertook a recent pay gap audit. By contrast, companies that chose not to undertake a pay gap audit had no change. Comparative research across six countries also found that action plans are essential for change and that employers should create time-bound targets to redress pay gaps, setting out clear and measurable goals (Cowper-Coles et al. 2021).

**Gender pay gap reporting.** Gender pay gap reporting requirements in Australia came into effect nationally in 2012, with the establishment of WGEA and requirements for private sector employers with 100 or more employees to report their gender pay gaps annually to WGEA. Since WGEA was created, this gender pay gap in Australia has fallen: between February 2014 to February 2024 Australia's national gender pay gap fell from 17.2% to 12.0%.<sup>12</sup>

12. WGEA calculations based on ABS full-time weekly earnings and average of male and female ordinary time earnings (i.e. excluding overtime).

**Gender pay gap transparency.** Regulations in the UK came into force in 2017 requiring employers with 250 or more employees to calculate and report their gender pay gaps publicly. WGEA (2024) notes that closing the gender pay gap is a long-term project – the evidence base for sustained impact from the UK is encouraging but still emerging. The UK gender pay gap fell from 18.2% in 2016 to 14.3% in 2023.<sup>13</sup> Bennedsen et al. (2019) found that pay transparency in Denmark – where firms have been required to disclose gender wage differentials to employees since 2006 – substantially reduced the gender pay gap via a slowdown in male’s average earnings.

**Government procurement conditions.** In a 2022 pilot, the Western Australian (WA) government introduced a new requirement that bidders for its contracts prove their compliance with WGEA’s existing reporting procedures. An evaluation of the program (WA Department of Communities 2023) found the new criteria made a big difference in sharpening businesses’ awareness and understanding of gender equality. Careful design and investment in capacity is important (OECD 2021). Evaluations suggest some procurement strategies are unlikely to boost women’s bidding success unless the other deeper barriers that limit women’s involvement are also broken down (Orser et al. 2019, Loosemore et al. 2020).

**Benchmarking.** Industry standards create objective standards for determining pay, which are instrumental in avoiding large discrepancies in how individual organisations set their pay rates (WGEA 2017). Duchini et al. 2022 observed peer performance effects in the UK where worse performing firms and industries more exposed to public scrutiny, reduced their gender pay gap the most.

**Publishing wage information in job advertisements.** Firms that post wage information in vacancies in the UK tended to have a larger percentage of women at the top of the firm wage distribution and a lower gender pay gap. Causal evidence established the introduction of pay transparency in the UK induced employers to provide upfront pay information, potentially in an effort to improve gender pay equality at the entry level (Duchini et al. 2022).

**Targets or quotas for women.** Targets or quotas that elevate women into higher paid positions will contribute towards reducing the gender pay gap given the gender pay gap is largest at the top quartile of earnings in Australia. Voluntary targets can be set by firms or incentivised by external factors. For example, in 2015, the Australia Institute of Company Directors (AICD) adopted a target of 30% female board membership, which was incorporated into the ASX Corporate Governance Principles and Recommendations on Diversity

for S&P/ASX 300 companies in 2019. Two-thirds of S&P/ASX 300 boards now have more than 30% female representation.<sup>14</sup> Mandatory quotas for organisations can also work to rapidly raise participation of women in leadership as evidenced in Europe (WGEA 2014). Importantly, the enabling environment matters – quotas can work if the environment is receptive, but conversely can backfire if that receptiveness is lacking (Ip et al. 2020, Leibbrandt et al. 2018).

**Addressing gender bias in recruitment and promotion** ensures women are hired and progress into higher paid positions. For instance, applying language decoder tools to job advertisements can detect instances of gendered wording to overcome gender stereotypes and inequality (Gaucher et al. 2011). Or intentionally longer shortlists generate a larger representation of women and diverse candidates (Lucas 2021). Psychological safety practices counter the harmful impacts of biased, discriminatory and highly masculinised workplace cultures, and lead to a higher retention and advancement of women in the workplace (De Smet 2021, Halliday 2022).

**Flexible work policies.** Lippe et al. (2019) find European firms that offer ‘work-life policies’ have a smaller gender wage gap. Flexible work policies are found to be more important in explaining a smaller gender wage gap than dependent care policies such as parental leave or childcare support.

13. UK Office of National Statistics, Gender Pay Gap in the UK: 2023

14. AICD Gender Diversity Progress Report March-June 2023

**Addressing root causes.** KPMG (2022) together with the Diversity Council of Australia and WGEA identified the following policy opportunities based the underlying drivers of the gender pay gap, including gender segregation by job type and care responsibilities (Table A7).

**TABLE A7 Summary of underlying drivers to gender pay gap and opportunities to effect change (KPMG 2022)**

Underlying driver	Opportunities to effect change
<b>Gender discrimination</b>	<ul style="list-style-type: none"> <li>■ Eliminating workplaces sexual harassment, every-day sexism and gendered violence.</li> <li>■ Addressing discrimination in work practices such as hiring, promotion and access to training.</li> <li>■ Increased pay transparency and reporting on gender pay gaps.</li> <li>■ Undertaking gender pay gap audits and actioning findings.</li> </ul>
<b>Gender segregation in job type</b>	<ul style="list-style-type: none"> <li>■ Breaking down social norms regarding what roles and industries are appropriate for men and women.</li> <li>■ Addressing the undervaluation of women's work and wage inequality in feminised industries.</li> <li>■ Increasing the share of women in leadership and decision-making positions, including through targets or other diversity policies.</li> <li>■ Developing networks of advocates for gender equality among men and women who can address barriers and affect change.</li> </ul>
<b>Care, family responsibilities and workforce participation</b>	<ul style="list-style-type: none"> <li>■ Improving work life balance.</li> <li>■ Increasing availability of flexible work.</li> <li>■ Increasing availability of childcare or decreasing cost.</li> <li>■ Enhancing availability and uptake of shared parental care.</li> <li>■ Rethinking and redesigning part-time roles for managers.</li> <li>■ Reducing disincentives to increasing workforce participation through personal tax, family payment and childcare support systems.</li> <li>■ Changing workplace culture and addressing unconscious bias.</li> </ul>

## What works for SMEs

While many of the measures that work for large companies could be applied to SMEs, it is acknowledged that guidance and resources need to be tailored to SMEs (VEOHRC 2021, Economic S4W 2013, WGEA). VEOHRC (2021) recommended:<sup>15</sup>

**Education.** Designing and delivering training on gender pay equality for SMEs<sup>16</sup>

**Tools.** Developing resources to support SMEs to achieve equal pay, including simplified gender pay audit, and capability matrix to develop position descriptions.

**Funding mechanisms.** Equipping state-based funding bodies to support equal pay, including exploring indexing funding against benchmarking frameworks, or encouraging SMEs to report how funding has been used to promote equal pay. Also, hands on support for SMEs to benefit from Victoria's social procurement framework in relation to gender equality.

**Pilot program.** Exploring the feasibility of SMEs to engage in simple, voluntary reporting against the Gender Equality Act (2020) and other initiatives suggested in the VEOHRC (2021) report.

15. VEOHRC (2021) also recommended prioritising SMEs and closing gender pay gaps in COVID-19 recovery efforts.

16. Resources are now available: <https://www.humanrights.vic.gov.au/education/equal-pay-matters/education-resources/>

## Approaches that have not worked or had negative effects

Evidence of approaches to progressing gender equality that have not worked, backfired or had unexpectedly negative effects point to the need to consider the broader context in which policies are being applied.

**Training in isolation.** There is little evidence of unconscious bias and diversity training changing behaviour (Atewologun et al. 2018). However, unconscious bias and diversity training can be effective in raising awareness (Atewologun et al. 2018) and harnessed as part a broader set of measures to tackle gender inequality and the gender pay gap in an organisation.

**Appealing to the business case in resistant organisations.** There is no clear evidence that appealing to the business case is a sufficient catalyst for change among resistant or laggard organisations (Risse 2024).

**Reminders of past injustices against women.** As a justification for equal opportunity, reminders about past injustices can backfire by undermining men's support, while not affecting women's reactions to the policy (Hideg and Wilson 2020). Men may be motivated to protect their social identity rather than acknowledge collective responsibility for past harms. Instead, information about progress on women's rights could mitigate negative reactions and ensure support for contemporary equal opportunity efforts.

**Pay transparency downsides at an individual level.** Flatter pay structures arising from pay

transparency have been cited as less performance-based which may reduce employee productivity (Obloj and Zenger, 2022). Publishing individual salaries, for instance, has also been observed to reduce employee motivation and effort, concentrated amongst lowest earning workers (Card et al. 2012). However, there is no clear evidence that pay transparency at an organisation-level reduces firm productivity.

**Constrained growth in male salaries may be an issue for active communication by management at least initially.** Duchini et al. (2022) and Bennedsen et al. (2019) found companies that were subject to pay transparency in the UK and Denmark, respectively, resulted in their male salaries slowing down in their rate of growth. Blundell (2021) found a reduction in men's base salary in the UK attributable to fewer promotions and nominal pay decreases for men in highly paid occupations.

**Focussing on individual women rather than structural factors.** Ellemers (2014) points out how behavioural science can help firms identify the mechanisms that constrain women from making the same career choices as men. This includes the 'Glass Cliff' where women may be more likely to be appointed to leadership roles during a time of crisis, making their role more challenging (Ryan and Haslam 2007), or 'Queen Bee' phenomenon which sees women attempt to escape gender stereotypes and focus on unique personal qualities, rather than act as encouraging role models for other women. Firms are encouraged to acknowledge and correct implicit bias, monitor gender representation, encourage women to state their ambitions and welcome diversity as an organisational asset.

## Insights from behavioural science

**Behaviourally-informed actions improve gender equality.** Insights from the field of behavioural science provide policymakers with new, and often low-cost, tools to enhance policy design and implementation. These insights uncover and address patterns of human cognition and behaviour typically overlooked in more traditional conventional policy approaches.

In 2021, the Behavioural Insights Team published a guide with evidenced-based actions for employers to improve gender quality. Effective actions include setting internal targets for gender equality, appointing diversity champions or taskforces, offering flexible working hours by default, using skill-based assessment tasks for recruitment, and making expectations around salaries and negotiation clear (Behavioural Insights Team 2021).

**Testing interventions is important.** Other behaviourally informed actions have had mixed results, depending on how and where they are implemented, and other factors yet unknown. For example, a study conducted in the Australian Public Service found that in organisations already engaged in positive discrimination towards females, implementing a 'blind' or de-identified approach to reviewing candidates had the unintended consequence of frustrating gender equality efforts (BETA 2017).

In another example, a randomised controlled trial which used personal stories as a nudge to encourage policymakers to attend an online briefing on the gendered impacts of policy showed a backfiring effect. Those who were 'nudged' were less likely to attend, potentially because of the stories distracting from the structural issues at hand (Bochon et al. 2023). The lesson here is to test each behavioural intervention for effectiveness and unintended consequences before wider roll-out. Such tests will also help identify specific factors which can impede or promote an intervention's success.



## Annex 4: Summary of business experiences with closing the gender pay gap

We have synthesised the factors that employers identified as the approaches that are working, and those that are not working for small and large businesses to reduce the gender pay gap in Table A8.

They are categorised as either perceived 'internal factors' that businesses see within their control or 'external factors' that businesses see outside their control, and would be looking to governments to address. For example, businesses that we consulted with saw conducting a pay review as an action that is within their control, but dismantling gender stereotypes and norms that affect the pipeline of female workers as an external factor for government action. These perceptions were similar across small and large businesses.

**TABLE A8** Summary factors identified by businesses in addressing the gender pay gap

Explanatory factors	Perceived scope of control	Small business	Large business	Identified in literature
<b>What's working to reduce the gender pay gap?</b>				
Pay review processes including: <ul style="list-style-type: none"> <li>■ Data analysis of gender pay gap</li> <li>■ Tools for business managers</li> <li>■ Scrutiny and discussion of changes</li> </ul>	Internal		✓	✓
Inclusion role participating in remuneration and promotion decisions	Internal		✓	
Equitable practices in: <ul style="list-style-type: none"> <li>■ Recruitment and starting salary negotiation</li> <li>■ Application for promotion</li> <li>■ Salary and bonus review</li> </ul>	Internal		✓	✓
Salary banding and job frameworks	Internal		✓	✓
Women's career development programs	Internal		✓	
Women's employee / industry networks	Internal	✓	✓	
Leadership from the top / Female founder	Internal	✓	✓	✓
More senior women in leadership	Internal		✓	✓
Flexible working	Internal	✓	✓	✓
Employer paid parental leave	Internal		✓	✓
Public messaging about the gender pay gap	Internal		✓	
'Incidentally' equitable practices (e.g. flexible work hours or location close to schools)	External	✓		
Supply chain or external influences such as certification or procurement	Internal	✓	✓	✓

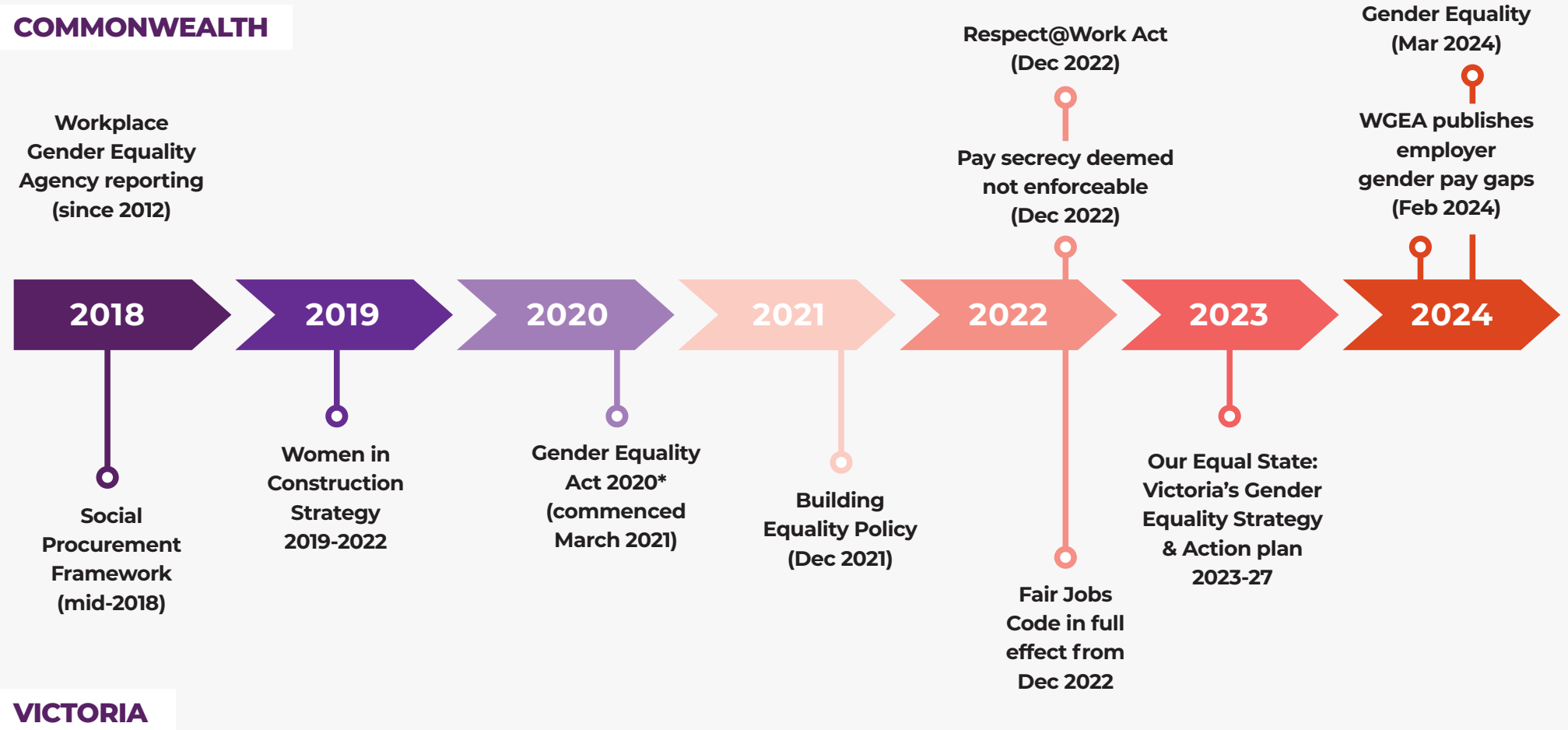
Explanatory factors	Perceived scope of control	Small business	Large business	Identified in literature
<b>What's contributing to the gender pay gap?</b>				
Lack of female workforce in male-dominated industries or skills	External	✓	✓	✓
Greater proportion of women in lower paying female-dominated skills or roles	External		✓	✓
Long working hours	Internal	✓	✓	✓
Broader gender stereotypes and norms	External	✓	✓	✓
Broader organisational context	External	✓	✓	✓
Challenging operating environment	External	✓	✓	✓
Complying with complex employment regulations	Internal	✓		
Resistance to gender equality	Internal	✓	*	✓
Lack of data and processes for pay equity	Internal	✓		✓
<b>Mixed feedback</b>				
Quantifiable measures and targets	Internal	N/A	✓	✓**
WGEA reporting on the gender pay gap	Internal		✓	✓

\* Mentioned during consultation but not identified as a major issue by large businesses.

\*\* The literature supports use of quantifiable measures and targets, while there was mixed feedback from businesses.

# Annex 5: Policy context

**FIGURE A4** Policy context for workplace gender equality and pay equity in Victoria



\*2020 Act applies to Victoria public sector, universities, local councils

**TABLE A9 Summary of policy for workplace gender equality and pay equity**

Commonwealth	
<b>Workplace Gender Equality Agency</b>	Established under the Workplace Gender Equality Act (2022), the Agency oversees standardised reporting, requiring private sector employers with 100 or more employees to report against six Gender Equality Indicators.
<b>Respect@work</b>	From December 2022 a range of reforms have been introduced including a requirement for employers or persons conducting a business to proactively take steps to prevent sexual harassment and sex discrimination occurring in the workplace.
<b>Pay secrecy</b>	Any obligations for employees to keep their remuneration confidential, including in contracts of employment, ceased to have effect from December 2022. Employees have the ability to disclose (or ask someone else to disclose) their remuneration, but cannot be compelled to do so.
<b>WGEA publishes employer gender pay gaps</b>	WGEA-calculated gender pay gaps by employer were published for the first time in February 2024. Previously, WGEA published overall gender pay gaps (e.g. national, state, industry) and provided a confidential benchmarking report to employers.
<b>Working for Women: A Strategy for Gender Equality</b>	One ambition under the Commonwealth gender equality strategy is to close the gender pay gap. Initiatives include businesses with 500 or more employees required to demonstrate progress against gender equality indicators in order to win government work, and the Australian Skills Guarantee which includes targets for women suppliers to Australian Government-funded major construction projects.
Victoria	
<b>Social Procurement Framework</b>	Designed to incentivise achievement of social and sustainable objectives through Victorian government contracts. For example, lower-band procurements (\$3-20m metro/state-wide, \$1-20m regional) can ask suppliers to demonstrate gender equitable employment practices, and the upper band (>\$50m), include industry-appropriate targets for labour hours to be performed by women.
<b>Gender Equality Act (2020)</b>	Applies to the Victorian public sector, local governments and universities. Organisations are required to implement a gender equality action plan that addresses seven indicators of workplace gender equality, including gender pay equity, and to publicly report on progress.
<b>Building Equality Policy (2022)</b>	Applies to Victorian publicly funded construction projects valued at \$20m or more. Contractors are required to meet project-specific gender targets, engage women as apprentices and trainees and implement gender equality action plans.
<b>Fair Jobs Code</b>	Supplier pre-qualification scheme. In the area of workplace equity, firms must demonstrate compliance with anti-discrimination and equal opportunity laws and a commitment to equity and diversity in organisational practices.
<b>Our Equal State</b>	Actions under Victoria's Gender Equality Strategy and Action Plan 2023-2027 include halving the gender pay gap in the Victorian Public Service in five years, and exploring ways to deliver the fair economic value of care and community work through improved pay and conditions.

## Annex 6: Small business survey

### Introduction:

We are conducting research for the Victorian Government on the gender pay gap. We know that people are integral to the success of businesses in Victoria. Improving pay equity can help businesses attract and retain talented people and grow the business.

We are keen to understand your business priorities, how pay equity may fit, and what can be done to support you. We invite you to take part in this study. The survey should only take around 10 minutes to complete. The information you provide is confidential and anonymous and will only be used for the purposes of this research.

Before participating, please read the Participant Information Sheet (PIS). Please click on the link, download and read the PIS. Consent Acknowledgement by Participant:

1. I have read and understood the PIS.
2. I understand the purposes, procedures and risks of the research study as described in the PIS.
3. I freely agree to participate in this study as described in the PIS and understand that my relationship with the parties conducting this research will not be affected if I chose to withdraw from the study.

In order to continue with the study, you have to provide your consent by clicking on “Yes, I consent”

below and then proceed by clicking on “→”.

If you do not consent, you just have to close the browser tab or navigate away.

Yes, I consent

### ABOUT YOUR BUSINESS:

#### 1. What sector is your business / organisation in?

- Accommodation and Food Services
- Administrative and Support Service
- Agriculture, Forestry and Fishing
- Arts and Recreation Services
- Construction
- Education and Training
- Electricity, Gas, Water and Waste Services
- Financial and Insurance Services
- Health Care and Social Assistance
- Information Media and Telecommunications
- Manufacturing
- Mining
- Other Services
- Professional, Scientific and Technical Services
- Public Administration and Safety
- Rental, Hiring and Real Estate Services

- Retail Trade
- Transport, Postal and Warehousing
- Wholesale Trade
- Other, please specify \_\_\_\_\_

#### 2. What area is your business located in? Enter postcode: \_\_\_\_\_

#### 3. How many employees does your business have?

- 1-5
- 6-19
- 20-100
- 00+ please specify approximate size: \_\_\_\_\_

#### 4. What is your role in the business?

- Owner/manager
- Human resources position
- Employee

#### 5. In terms of gender, how do you identify?

- Female
- Male
- Non-binary
- Self described: \_\_\_\_\_
- Prefer not to say



**Please tell us what you think about the following:**

In the next section, we will show you a series of statements which reflect a range of attitudes across society on gender roles.

We are interested in finding out where you sit within in this range of viewpoints, in terms of how much you agree or disagree with them.

Collecting these viewpoints from business owners and decision-makers helps us to understand the gender pay gap in Victoria.

Your answers are important for creating an accurate picture, so that any action considered by government is fully informed by Victorian business people such as yourself.

For some people, these statements may be confronting and/or cause some distress. If so, please skip them without answering.

**6. On a scale from 1 to 7, where 1 = strongly disagree and 7 = strongly agree, please tell us how strongly you agree or disagree with the following statements:**

- If both partners in a couple work, they should share equally in the housework and care of children.
- Men generally make better leaders than women.
- It is not good for a relationship if the woman earns more than the man.
- It is better for everyone involved if the man earns the money and the woman takes care of the home and children.

- Some jobs are naturally suited to men, and some are naturally suited to women.
- Men earn more in their jobs than women because they are more qualified overall.
- Even though they may have similar qualifications, men earn more in their jobs than women because they perform better.
- When working on a team project, women usually contribute more to its completion than men.
- Discrimination against women is no longer a problem in Australia.
- It is easy to understand why there are concerns about limitations of women's opportunities compared to men's.
- When it comes to making things fairer for women, things have gone too far.
- Men have been forgotten in the struggle for gender equality.
- Over the past few years, the government and the media have been showing more concern about the treatment of women than is warranted by women's actual experiences.

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**THE GENDER PAY GAP:**

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**7. What is the workforce composition of your business?**

- Mainly male
- Generally gender-balanced
- Mainly female

**8. What is the leadership composition of your business?**

- Mainly male
- Generally gender-balanced
- Mainly female

**9. How would you describe your understanding of the gender pay gap?**

- I'm unsure of what is meant by the gender pay gap
- I have some understanding of what is meant by the gender pay gap
- I'm quite familiar with the gender pay gap

**10. Where does addressing gender equality rank in your business's priorities?**

- We want to take action but don't know how and/or don't have enough resources
- We are taking some action but mostly for compliance reasons
- We are committed to it and have taken action
- Gender equality is not a priority relative to other matters
- Gender equality isn't an issue and we haven't taken action

**If answer yes, to Q10 (first 3 responses):**

**11. Why is addressing the gender pay gap important for your business?**

TICK ALL THAT APPLY

- It's the right thing to do

- It's the law
- It's important for our reputation
- It's important to attract and retain good staff
- It's important to win work (e.g. government contracts)
- Other, please specify \_\_\_\_\_

**12. Has your business taken any of these actions to address workplace gender equality issues?**

TICK ALL THAT APPLY

- Pay gap analysis.
- Gender/diversity policy
- Diversity leads and/or taskforces
- Set clear internal targets for gender equality
- Support and mentor women into leadership roles.
- Recruit more women in male-dominated industries or roles.
- Provide flexible working arrangements.
- Offer flexible working by default in job adverts.
- Help staff access government paid parental leave.
- Provide employer top ups for parental leave.
- Provide family and domestic violence leave.
- Train staff on gender equality and/or unconscious bias.

- Partner with external organisations focusing on empowering/recruiting women.
- Other, please specify \_\_\_\_\_

**If a response is given to Q12**

**13. How would you describe the impact of your business's efforts on gender equality?**

- Our efforts have made a noticeable difference
- Our efforts have made some difference
- Our efforts have not made a difference
- I'm unsure whether our efforts have made a difference

**14. What factors get in the way of you taking action on gender equality and pay gaps?**

CLICK: HIGHLY RELEVANT, SOMEWHAT RELEVANT OR NOT RELEVANT

- Haven't thought about it
- Unsure what actions to take
- Other issues need to be prioritised to keep business going
- Don't have the budget to put towards gender equality issues
- Don't have the time to focus on gender equality issues
- Don't have the personnel (e.g. human resources manager) to focus on gender equality issues
- The issue causes controversy and conflict

- Such actions won't work due to strong norms and culture
- Such actions discrimination against men
- Such actions are often not merit-based
- Unclear if there would be any benefits for the business
- Other, please specify:

**15. What practical things would help your business address the gender pay gap?**

- Free text response

**THANK YOU FOR COMPLETING THIS SURVEY.**

Please indicate if you would like to be entered into a draw to win a \$100 gift voucher:

- Yes, please write your email address so that we can contact you: \_\_\_\_\_
- No



