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No, the gender pay gap is not a myth, and here's why it matters

Matt, Andrew, Shayne and Brian. The CEOs of Australia's biggest four banks will submit to a comprehensive grilling before the royal commission into finance sector misconduct next week. How different might things have been under Melanie, Andrea, Sharyn and Bree?

It's not a flippant question.



Illustration: Dionne Gain

Already in the spotlight for the misdemeanours being exposed by the royal commission, Australia's finance and insurance industry this week added another dubious claim to fame. For five years running now, it has topped the Workplace Gender Equality Agency's list of the biggest gender pay gap by industry.

Who came second?

Interestingly, the construction industry – also the subject to a royal commission from 2001 to 2003, concurrently, of course, with the royal commission into the collapse of Australia's second biggest insurer at the time, HIH Insurance.

I don't think it's a coincidence. It doesn't surprise me that the most male-dominated sectors of our economy have also become breeding grounds for some of our most infamous corporate misdeeds.

Why? Not because I think men are inherently more unethical, their absence of a second X sex chromosome rendering them hopelessly amoral. Far from it. I fervently believe in the equal ability of women to act in morally dubious and careless ways.

What I am saying is that it doesn't surprise me that there is an association between organisations that clearly recruit and reward talent from a more shallow talent pool and those which engage in misconduct.

That's the most striking finding, for me, from this week's gender pay gap figures, which show a welcome shrinking in the pay gap over the past five years, but a stubborn average gap in total full-time remuneration of 21.3 per cent, worth \$25,716 a year.

Or \$48,884, if you happen to be a woman working in the sea of trouser suits that remains our finance and insurance industry.

Now, don't be distracted by people telling you this pay gap is a "myth". The gender pay gap is not a myth, but it might not mean exactly what you think.

It's not a measure of whether a man and woman, working the exact same hours in the exact same position in the exact same industry, are getting paid the same. Of course, that has been illegal in this country for almost half a century.

What it does mean is that of Australia's population of full-time workers – those who devote the better part of their waking lives to being a wage slave – males pocket, on average, the average female salary, plus a 21 per cent bonus.

It's not necessarily illegal because it turns out that the average full-time working woman is more likely to be employed in either lower-paid industries or in less senior positions. Women continue to comprise just 17.1 per cent of CEOs in the WGEA survey.

No one's saying that a secretary should be paid the same as a CEO.

Of course not. Wages should reflect the marginal productivity of each worker – the value they create in their current position by combining their effort and skills with the company's stock of equipment.

If you're OK with the gender pay gap, what you're really saying is that you just believe that women are, on average, inherently less talented, skilled and productive in the workforce.

Are you OK with that? I'm not.

Nothing I have observed in my nearly 40 years on this planet has lead me to believe one gender is the repository of a disproportionate share of workplace-relevant skills and wisdom. And if it had, it certainly wouldn't be the gender which currently commands this productivity premium.

No, believing in gender equality means, to me, that you believe men and women – at our core – aren't really that different. No less smart, no less able to produce goods and services of value in the market economy.

You believe – at your core – that talent is something that is equally distributed within the populations of the two genders. It follows, then, that any sensible business would want to ensure it employed the cream de la cream from both genders.

Think of it like picking a team for sports at school. If talent is evenly distributed among boys and girls, you'd pick the top boy, then the top girl, then the top boy, and so on (or the other way around). You'd end up with team of equal boys and girls, simply because you want the best of the best.

So, when an organisation emerges in which its top talent tier comprises only men, suspicion should arise. That company is unlikely to be drawing from the best available talent. It just can't be, by definition.

Successful companies need to have a culture and set of internal processes capable of identifying, promoting, retaining and rewarding staff based on merit.

It follows that such organisations are also more likely to have the culture and processes needed to prevent staff from acting in aberrant ways.

When you see a firm in which women are knee-capped to less senior positions, you see a firm failing to tap into the human capital embedded in half the population. It's not surprising to me that organisations with that sort of culture might also fail across a number of other metrics.

Society, overall, is poorer and less productive as a result. Companies can do much to promote talented women in their ranks, from rewarding them properly, to helping them manage the demands of work and family.

It's obvious who the laggards are in this regard. Shareholders should be demanding they lift their game.