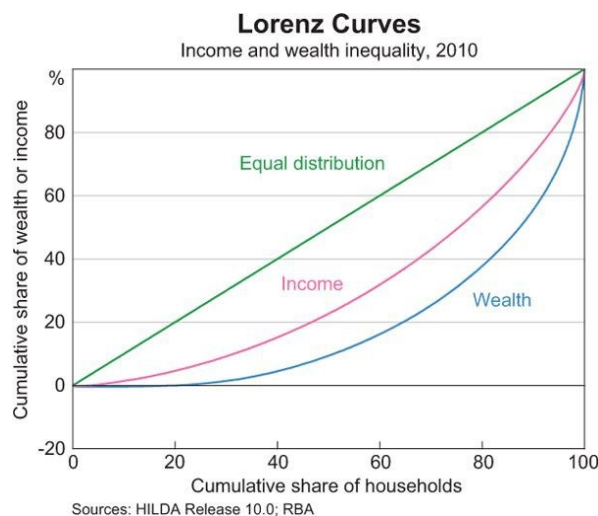


	Grade: Merit
2.	<p>For Merit, the student needs to analyse in depth a contemporary economic issue of special interest, using economic concepts and models.</p> <p>This involves:</p> <ul style="list-style-type: none"> <li>• providing a detailed explanation of causes of the contemporary economic issue using economic models</li> <li>• providing a detailed explanation of the impacts of the contemporary economic issue on various groups in New Zealand society.</li> </ul> <p>The student has analysed, in depth, the economic issue of New Zealand's gender pay gap.</p> <p>The student has explained the causes of the gender pay gap using the Lorenz Curve: fewer women in higher paying jobs leading to the wealth gap; occupational and vertical segregation (1).</p> <p>A detailed explanation of the impacts of the gender pay gap on women, men and government has been provided (2).</p> <p>To reach Excellence, the student's work would more comprehensively explain comparisons, explaining why one cause is greater than the other cause. Some attempt has been made to compare and/or contrast the causes of the gender pay gap. Models should be used in the detailed comparisons (3).</p> <p>The impacts should also be compared and/or contrasted, such as explaining that changes made to reduce the gender pay gap would affect some groups more or less than other groups. Or that a decrease in the gender pay gap would enable women to improve their financial status, both while they are in the workforce and when they retire. The impact on men would not be as great because there would be little change from their current situation (4).</p>

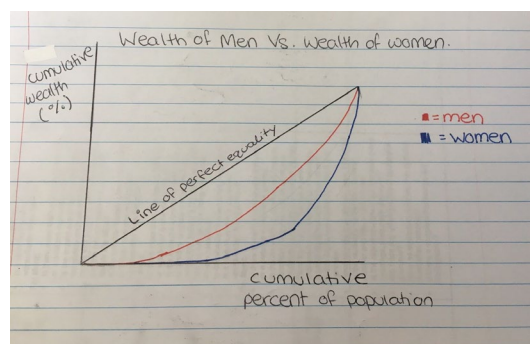
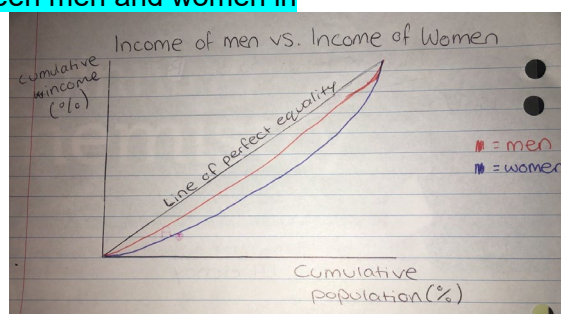
## Income Inequality & The Gender Pay Gap

### Introduction

Economic inequality refers to an unequal distribution of income and opportunity between different groups in society and inequity refers to the idea of fairness in economics. Overall, the Lorenz curve shows us that wealth is always going to be more unequal than income, this is because it is determined by taking the total market value of all physical and intangible assets owned by the individual. Therefore, people with more income are more likely to own assets that increase their wealth, whereas, the lower socioeconomic class don't have the income to spend on assets and therefore have as much wealth.



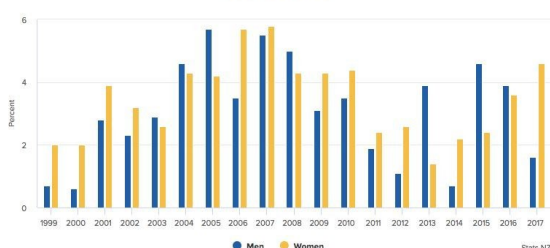
In New Zealand, there is inequality and inequity between men and women in terms of the pay gap, this is shown on the Lorenz Curve to the right through the level of inequality in income and wealth between men and women. This modal (Income of men vs. income of women) shows the level of inequality of income of women is larger than men. This is because there are fewer women in higher paying jobs which decreases the amount of income they receive. This causes the level of inequality to be larger amongst women, as a majority of the population is in the 20%-60% of cumulative income, and the minority is in the top 20%. Whereas men are more evenly distributed with similar percentages of the population in each stage of the cumulative income.



This model to the left displays the difference in inequality of wealth between men and women, which is that women have more inequality in wealth than men. Income plays a part in the amount of wealth as, if men are earning a higher income, they are more likely to afford assets which contributes to their wealth. Men are also more likely to receive inheritance than women in some cultures which also contributes to wealth. 1

Although there is still inequality between men and women's income, New Zealand has

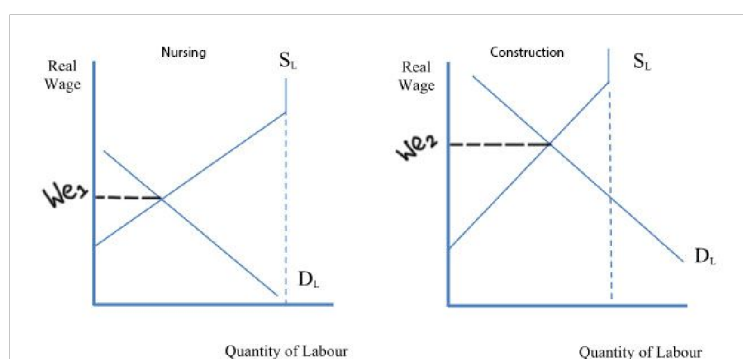
Annual percentage change in median hourly earnings, by sex, from wages and salaries, June quarters 1999–2017



improved and made the gap smaller over the past 20 years. In 1998 the pay gap worked out to be around 16.3%, whereas now the pay gap has decreased to 9.4%. This is due to the increase in the median hourly earning of women, which is shown of the graph to have increased 4.6% where as men's median hourly income only rose by 1.6%

## Causes of the Gender Pay Gap

Occupational and vertical segregation are some of the main causes of inequality in New Zealand. Occupational segregation refers to the clustering of female and male workers in certain occupations, for example, women tend to be over-represented in jobs like nursing while men tend to be over-represented in jobs like construction. This leads to the gender pay gap as female-dominated occupations are usually lower paying jobs, this means that while women may not be paid less than men, they are working in jobs that earn them lower income. New Zealand has also been proven to, whether consciously or unconsciously, have occupational segregation within the labour force. At the end of 2011, a study showed that industries like retail trade and education would predominantly hire women and industries like manufacturing and construction industries were predominately hire men<sup>1</sup>. The labour market models below shows that the equilibrium wage rate ( $We_1$ ) of nursing (a female



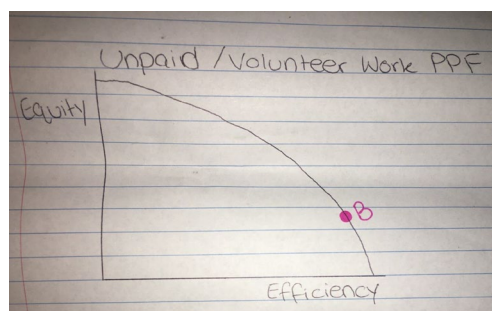
crowded occupation) is less than the equilibrium wage rate ( $We_2$ ) of construction (a male-dominated industry). This is also supported by New Zealand statistics which shows the average salary for a nurse is between \$54,000 and \$68,000<sup>2</sup> (with 3-5 years experience), whereas construction average salary is \$82,300<sup>3</sup>.

Another aspect of occupational segregation is vertical segregation, which refers to the fact that a higher number of men hold 'senior/higher-paid' positions than women. This is shown to impact the gender pay gap, as in a gender pay report issued by Goldman Sach's London, it shows that the firm starts the male and female associates with the same pay but on average, men at the firm make 56% more than women. The report discusses that a big reason for this gap was that only 15% of Goldman's 450 partners are women, which means there are more men getting paid at the higher rate. This is also shown in New Zealand,

<sup>1</sup> <http://women.govt.nz/work-skills/paid-and-unpaid-work/occupational-segregation>

<sup>2</sup> <https://www.careers.govt.nz/jobs-database/health-and-community/health/registered-nurse/about-the-job>

<sup>3</sup> [https://www.payscale.com/research/NZ/Job=Project\\_Manager%2C\\_Construction/Salary](https://www.payscale.com/research/NZ/Job=Project_Manager%2C_Construction/Salary)



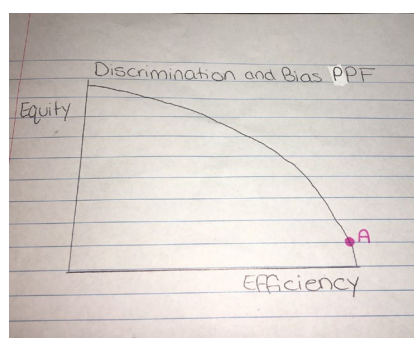
Women tend to spend a greater proportion of their time on unpaid and caring work than men. This affects the gender pay gap as it impacts the level of participation in the paid workforce, which leads to many women being underemployed.

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Statistics show that one in three women work part-time, one in five of those women are underemployed<sup>4</sup>, this is due to women not being able to have a full time job as they

have to spend time looking after their children. Also, as women spend time doing volunteer work, taking maternity leave, etc. it limits their work experience and tends to make them less likely to get hired in

higher paying positions. This affects the gender pay gap as fewer women are likely to have a high income which leads to an increase in income inequality, not only between women but in comparison to men as well. This PPF shows that this is inequitable yet arguably efficient (B), as women don't get paid for this volunteer work or childcare, and it leads to more part-time work. However, some would argue that it is efficient because women can still spend time with their children while doing part-time work and make income and the same time, so it is the best option for everyone.



Discrimination and bias is something that takes part in the workforce whether consciously or unconsciously and is something that largely impacts the gender pay gap. The PPF shows that this is extremely inequitable (A), this is because it is unfair for a women to be hindered by their gender as it is something they cannot change. This cause can be split into three part; behaviour of women, attitudes of employers and bias. Behaviour of women refers to how employers view certain behaviour of women in comparison

to men. A study in Australia<sup>5</sup>, showed that employers may treat women differently if they negotiate than they would if a man negotiates. It suggested that women are more willing to negotiate but men are more likely to receive a pay rise if they negotiate. While this study was not conducted in New Zealand, we can only assume that the circumstances are similar in New Zealand, as Australia is the only country in the world that collects systematic data on when employees ask for a pay rise. This impacts the gender pay gap as it can allow men to receive a higher income than women when asking for a raise, which increases the income inequality between the two groups. The attitudes of employers is also something that impacts the gender pay gap, as some people have certain beliefs about the type of work appropriate for women, the importance of female-dominated occupations and allocation of unpaid work. Many people today still believe that women are not meant to do jobs like construction, etc. because it had been deemed a 'man's job'. This deeply rooted social construct can impact whether or not an employee will hire a women in these industries, which leads to female's being more likely to take part in female-dominated occupations which are usually lower paying occupations. One of the reasons these female-dominated

<sup>4</sup> <http://women.govt.nz/work-skills/utilising-womens-skills/paid-and-unpaid-work>

<sup>5</sup> [https://warwick.ac.uk/fac/soc/economics/news/2016/9/new\\_study\\_suggests\\_women\\_do\\_ask\\_for\\_pay\\_rises\\_but\\_dont\\_get\\_them/](https://warwick.ac.uk/fac/soc/economics/news/2016/9/new_study_suggests_women_do_ask_for_pay_rises_but_dont_get_them/)

occupations tend to be lower paying is because of people's view of the importance of these jobs and many tend to see them as less important than male-dominated professions. This is because females have been seen as the ones who stay at home and look after the children, rather than the worker, where as if men and women shared the allocation of unpaid work (childcare and housework), it would be more equitable as both of the people could go out and earn their living. Unconscious bias is also has a major impact on the gender pay gap, as also it is illegal to discriminate against genders or races, the subconscious bias can still impact the decisions of the employers. This leads to less women being employed in higher paying positions because of the bias rooted into the minds of people from the many years of the past.

While occupational segregation and unpaid and caring work contribute largely to the cause of the gender pay gap, the most significant cause is discrimination and bias.

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This is because most other causes are impacted by bias and are the reason that there is occupational segregation and women spending more time looking after children than men. Statistics also show that causes like occupational segregation and unpaid work only explain around 20% of the gender pay gap, the other 80% is 'unexplained' factors which are harder to measure, like bias.<sup>6</sup>

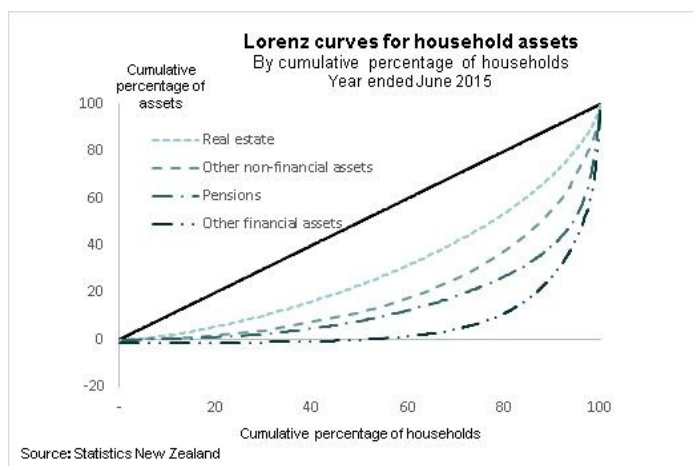
## Impacts of the Gender Pay Gap

An impact of the gender pay gap on women with children, is a term coined by sociologists called the 'motherhood penalty'. Sociologists argue that in the workplace, working mothers encounter regular disadvantages in income, perceived competence and benefits relative to childless women. This disadvantages women with children as it becomes harder to find jobs and receive a good level of income to support them and their child. This could lead to a low standard of living and possibly damaging circumstances for the child, like becoming more susceptible to diseases or not receiving a proper education. On the opposite end of the spectrum, men face the 'fatherhood bonus' which refers to situations where men are more likely to receive higher pay if they have children. This is because men are perceived to be more responsible and competent after having children and are more likely to get paid more than men and women with the same qualifications as them. This benefits men as they are more likely to have increased wealth and a better retirement fund, where as it disadvantages women, by them having less wealth and a smaller retirement fund.

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<sup>6</sup> <http://women.govt.nz/work-skills/income/gender-pay-gap>



The impact of the gender pay gap on women is that women will be disadvantaged for the rest of their lives, from social stress to retirement funds. Women are likely to be negatively impacted by stress more than men as they may be constantly worrying about the impact of their low income rate on their future. As since women earn less income than men they have less income to invest into retirement or spend on assets to increase their wealth. As shown on the Lorenz curve to the left, pensions are one of the most unequal types

of assets. This means that women are less likely to have a secure retirement fund due to the lack of

income they have to put towards it. This can impact their standard of living, not only in present time but in the future as well, as since they will have a smaller retirement fund they may not have enough money to allow them to live securely, which could result in them relying on the government for a benefit. Since men earn more they are more likely to have a better standard of living and a better life when they retire.

The government is negatively impacted by the gender pay gap through large spending on income support and gain less taxes. This is because as women tend to receive a lower level of income, they are more likely to be reliant on income support, which is paid by the government, this would mean that the government would be spending money on these benefits which they could be spending elsewhere. If the gender pay gap were to decrease, the government would not only spend less money on benefits but they would also gain more income taxes, because women would be paid more and therefore move into a higher tax bracket. This would allow the government to improve other aspects of the community and spend money elsewhere.

Overall, women are the ones who are impacted the most by the gender pay gap, whether it be through the motherhood penalty or by gaining a lower income that forces them to rely on the benefit. Although the government is largely impacted it can always create change to benefit themselves like increasing taxes, but women cannot change their level on income.