

Untapped opportunity

The role of women in unlocking Australia's productivity potential

July 2013



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1. Introduction

Over the past decade, Australia has made some gains in female workforce participation, with the rate rising by just over 4%, largely due to older women re-joining the workforce. However, there is still considerable room for improvement. In fiscal 2012, the Australian Bureau of Statistics (ABS)¹ recorded male labour force participation at 79%, 14% higher than the female rate of 65%. The labour force participation rate was higher for males than females across all age groups.

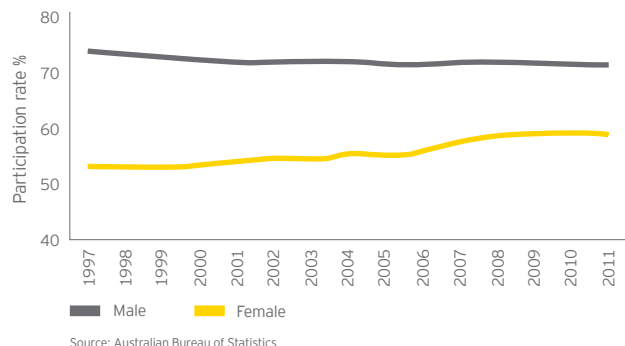
Once women hit their mid-20s, female participation rates decline for the next two decades. As women move from full-time to part-time employment to accommodate the needs of their families, their careers are interrupted, for which they pay an excessive price.² Women who put their careers on hold for even a couple of years are left with risks of being on lower salaries than men; side-lined from leadership positions; and with little in the way of retirement savings.

This issue has never been more important for Australia. It's not just bad for women as individuals, it's also costing the nation billions of dollars in the form of an unrealised productivity potential and high government benefit payments.

For the first time, this report, based on the findings of the *Ernst & Young Productivity Pulse*TM (the *Pulse*), Wave 3 – November 2012³ determines the extent of Australia's female productivity potential. It also quantifies how much low female workforce participation is costing Australia and explores opportunities to increase representation of women across all industries and at all levels.

We hope the report encourages policy makers and organisational leaders to take stronger, more sustained actions to: increase total workforce participation; resolve gender imbalance across roles and industries; and unlock the productivity dividend women offer our economy.

Figure 1: Participation rates over time



¹ 4125.0 - Gender Indicators, Australia, Jan 2013, Australian Bureau of Statistics, 2013

² Daley, J. (2012), Game-changers: Economic reform priorities for Australia. Grattan Institute, 1-77

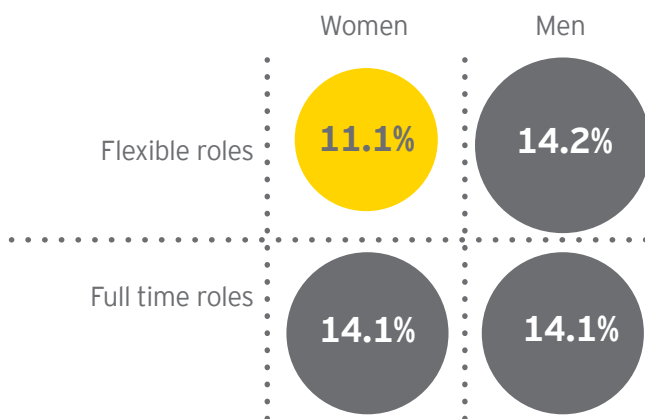
³ *The Pulse* is a six-monthly survey that measures Australian workers' views about their individual and their organisation's productivity and the value of the work they do. It gauges the voice of more than 2,100 workers across key industries and from all levels in both the private and public sector.

2.2. Productivity potential of the female workforce

The broad business benefits of greater female workforce participation are well documented. Women are a much needed addition to Australia's labour force, not just making up numbers, but bringing valuable skills and diversity of thought. Now, new research from the *Pulse* suggests an additional factor: women in flexible roles (part-time, contract or casual) appear to be the most productive members of our workforce.

Women in flexible roles waste only 11.1%, compared to an average of 14.5% for the rest of the working population. Given 43.2% of women in the workforce work part-time, compared to 13.5% of men⁴, this translates into an important productivity bonus that few employers recognise.

Figure 2a: Percentage of time wasted in a typical working day



Source: Ernst & Young Productivity Pulse Wave 3 data

Thanks to these more productive flexible workers, the *Pulse* found that collectively Australian and New Zealand workers could save at least \$1.4 billion⁵ on wasted wages by employing more productive female employees in flexible roles.

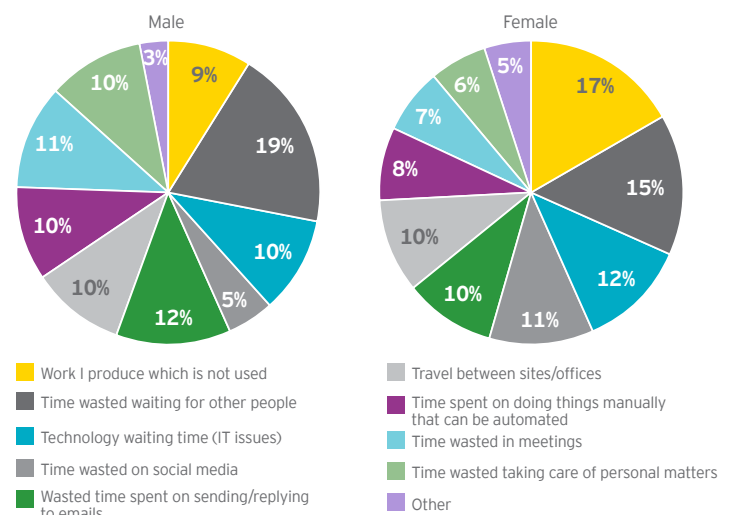
In an average year, these women effectively deliver an extra week and a half of productive work, simply by using their time more wisely. In other words, for every 71 women employed in flexible roles, an organisation gains a productivity bonus of one additional full-time employee.

In essence, flexible work is about an employee and an employer making changes to when, where and how a person will work to better meet individual and business needs.

Doing it well results in a massive productivity potential across the female workforce.

The study shows that the biggest drain on female time is 'work that is not used' or low value non-impactful work. The next biggest drain on female time is 'waiting for other people' – which is also the biggest drain on male time.

Figure 2b: Breakdown of time wasted



Source: Ernst & Young Productivity Pulse Wave 3 data

⁴ ABS, Jan 2012 Cat: 4125.0, Gender Indicators Australia

⁵ Further analysis of *Ernst & Young Australian Productivity Pulse™* Wave 3, November 2012

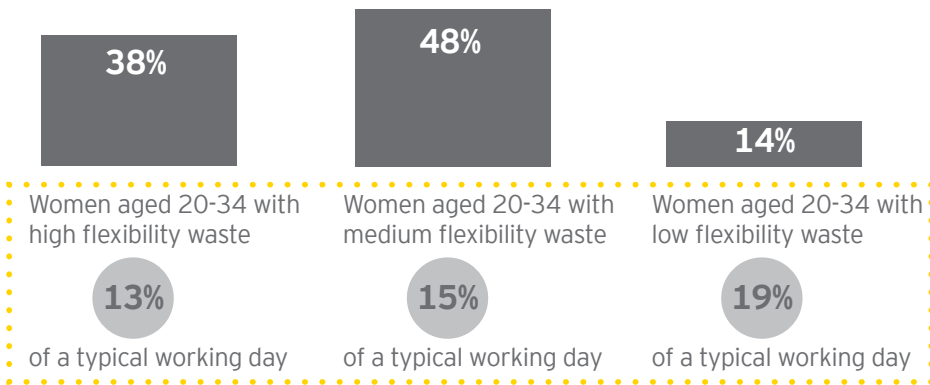
Flexible work practices boost productivity

The *Pulse* found that women with a high level of job flexibility: waste less time, are more productive and have more clarity over their career direction. Women in the age group of 20 to 34, who consider they have high flexibility assess they have 13% unproductive time whereas women who assess they have a low level of flexibility assess they have 19% unproductive time. And for this age group, of those women who consider they have high flexibility, 64% have a clear career direction, whereas of those who consider they have low flexibility, only 10% have a clear career direction.

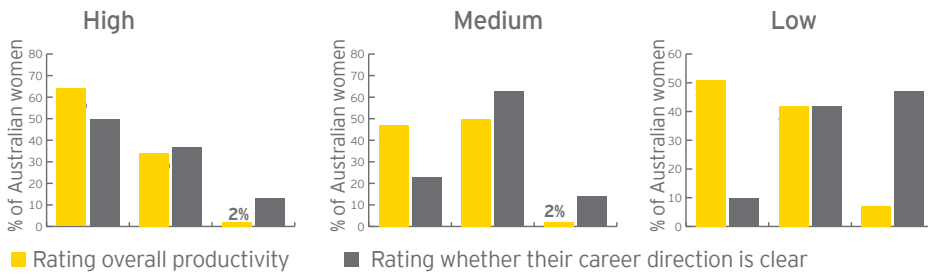
This is in sharp contrast to common assumptions about women in flexible roles, who are often accused of ‘not pulling their weight’ and can be excluded from communications about what is happening in the organisation or from receiving invitations to events.

As a priority, organisations should introduce or expand flexible work options to attract and retain highly motivated, productive women. There is a risk that women in flexible roles are sidelined from career-making roles, opportunities and promotion rather than being rewarded for their increased productivity. **Shouldn’t they, at the very least, be put on an even footing with their less productive full-time colleagues?**

Figure 2c: Rating of flexibility women feel they have at work (high/medium/low)



Rating of overall productivity and career direction for women with the following flexibility:



Source: Ernst & Young Productivity Pulse Wave 3 data

Reducing pressure on the public purse

Currently, women are poorly placed to fund their retirement, with 38% having no superannuation savings and the median superannuation accumulations for those who do being \$17,225⁶. If women earn more, either by working longer hours or in higher value jobs, they will end their working lives with higher levels of superannuation savings, reducing their reliance on the age pension and other benefits.

One of the biggest hurdles for women trying to accumulate sufficient super is the penalty of the interrupted work patterns often required by mothers⁷. For example, a 32 year old woman leaving the workforce for two years to care for young children, and intending to retire at age 65, will reduce her superannuation savings by the following amounts:

- a. \$65,000 salary = **\$28,000 Superannuation debt**
- b. \$85,000 = **\$36,500 Superannuation debt**
- c. \$115,000 salary = **\$50,000 Superannuation debt**⁸

Given this, **increasing workforce participation is a key mechanism to secure retirement incomes for women.**

By working an additional three years across working life, women have the potential to accrue \$237,000 of additional income at today's average earning rates⁹.

Based on:

- ▶ Australian Treasury's 2010 Intergenerational report cost estimates of age pension provision in 2010 and 2050
- ▶ FaCHSIA 2013 Pension Review Background Paper

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Reducing women's reliance on the age pension by 10% would conservatively save \$2 billion per annum today and \$8 billion per annum in 2050

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⁶ ABS Cat: 4125.0 - Gender Indicators, Australia, Jan 2013

⁷ Suncorp-ASFA, (2012). Suncorpo-ASFA Super Attitudes Survey, Suncorp-ASFA, 1-16

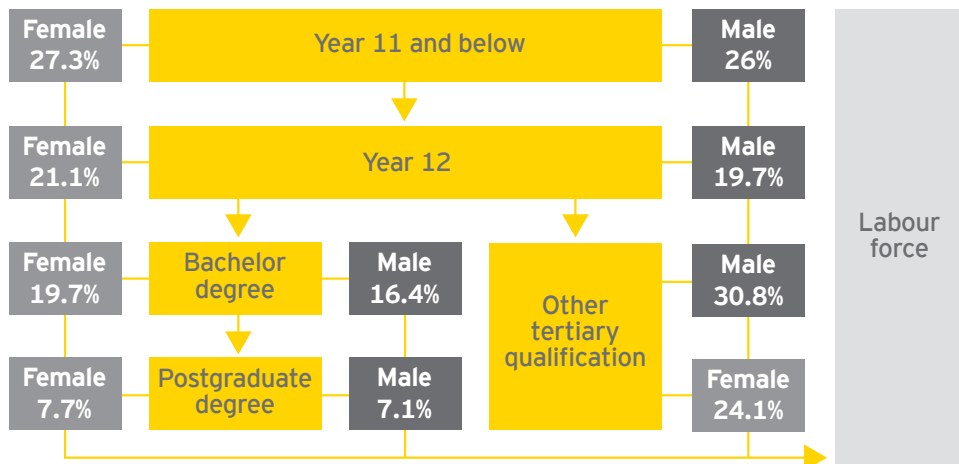
⁸ Comparisons were made to a 32 year old woman, who has the same salary and super balance, and takes no time out of the workforce. This assumes parental leave is taken from ages 32-33, and retirement is at age 65.

⁹ 6302.0 - Average Weekly Earnings, Australia, Nov 2012

3. Why aren't female graduates participating?

Lower female workforce representation is not a reflection of educational attainment, with more female than male graduates. Yet Australia's investment in female education is being wasted - to the tune of over \$8 billion - as female graduates fail to transition into the workforce at the same rate as their male peers.

Figure 3: Level of highest educational attainment



Source: Australian Bureau of Statistics (ABS) 6227.0 Education and work - May 2012, viewed February 2012

A greater proportion of females than males are reaching and completing year 12, undergraduate and postgraduate qualifications. However, as soon as they leave higher education, women start to be lost from the full time workforce. Graduate Careers Australia found fewer women than men going into full-time employment and more going into part-time work or being unavailable for any work, with the difference getting worse at the postgraduate level. A contributing factor here is that the average age of postgraduates is 32¹⁰ – the average age women start having children.

Female employment compared to male employment post-qualification

	Full-time work	Part-time work	Unavailable for work
Graduates	-5%	+5%	+0.7%
Postgraduates	-11%	+8.9%	+2.2%

Currently, postgraduate attainment is considered to be a formal requirement or important for 60% of full-time employment post qualifications¹¹ and a useful stepping stone into executive and board positions. If we want to give postgraduate women better access to these positions, we need to factor in the likelihood that some will take a temporary leave of absence around the time they qualify.

¹⁰ Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) 2011, *Higher Education Data Cube*, viewed February 2012.

¹¹ Graduate Careers Australia 2012, *Post-Graduate Destinations Report 2011*, September 2012, viewed January 2013.

The opportunity cost of losing qualified women from the workforce

Getting more of our best qualified women into the workforce will not only boost the supply of talent and ensure women are securing their career foothold, it will also improve the return on Australia's investment in education. Currently, the nation is losing over \$8 billion each year for undergraduate and postgraduate women who do not enter the workforce – see Figure 4.

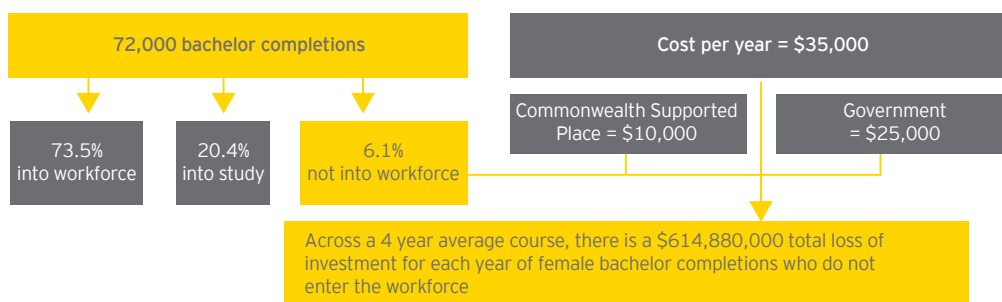
Rather than losing these women, or allowing them to waste their talents in side-lined positions, organisations should look at opportunities to promote flexible arrangements to increase the likelihood of having highly qualified women get back on an appropriate career path as soon as they return to work. This will mean changing the mindset of what it takes to be a leader. Many organisations won't consider candidates for senior roles

if some of their experience has been in a part-time capacity or if there has been a career break. We need to open our eyes to the fact that some of our brightest and best candidates have not had traditional career paths – and how damaging this is to their prospects.

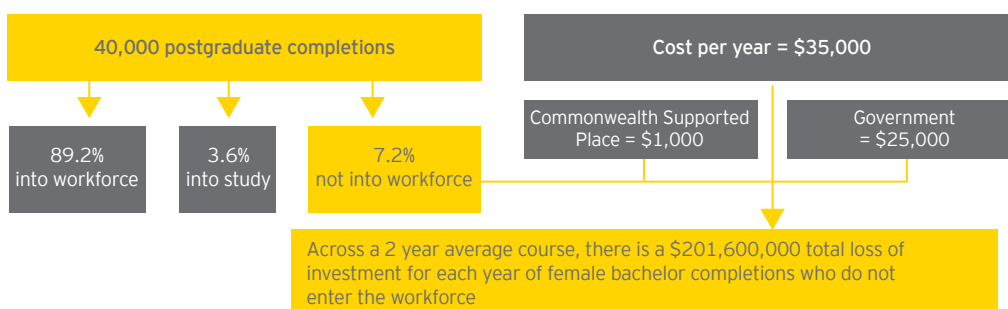
Currently, continuity of employment is stopping women from competing effectively in the labour market. Women who take even a few months out of the workforce miss out on crucial learning, career advancement or promotion opportunities, helping to further widen the pay gap between females and males across all levels of an organisation.

Rather than dismissing this issue as an inevitable consequence of an interrupted career, organisations need to address the matter head on. With appropriate support and communication, those returning from parental leave, or after any career break, can make just as important a contribution as they did before their working life was interrupted, and continue to pursue a meaningful career path.

Figure 4 Opportunity cost of non-workforce participation post graduation



Sources: - Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) 2011, *Higher Education Data Cube*, viewed February 2012
 - Melbourne University 2013, *Admissions and Applications Fees 2013*, viewed February 2013, <http://futurestudents.unimelb.edu.au/admissions/fees>
 - Australian Government, *Commonwealth Supported Places*, viewed February 2013, <http://studyassist.gov.au/sites/studyassist/help/repayingmyfees/csps/pages/commonwealth-supported-places>



Sources: - Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) 2011, *Higher Education Data Cube*, viewed February 2012
 - Melbourne University 2013, *Admissions and Applications Fees 2013*, viewed February 2013, <http://futurestudents.unimelb.edu.au/admissions/fees>
 - Australian Government, *Commonwealth Supported Places*, viewed February 2013, <http://studyassist.gov.au/sites/studyassist/help/repayingmyfees/csps/pages/commonwealth-supported-places>



4. Are women working in the right industries?

Women are currently under-represented in Australia's highest paying growth industries. Encouraging women to gain qualifications for these sectors would both increase female earnings and help to ease skill shortages. Often women do have qualifications for these sectors, such as business and commerce, but they are still choosing lower paid industries, where more flexible work is available.

The structural requirements of Australia's economy are changing, with more jobs for skilled employees¹² and more jobs being generated in the following top five industries and occupations.

Table 1¹³

Top five industries generating new jobs over the next five years			
Industry	Uplift in jobs	% Higher education required	Average annual wage ¹⁸
Health Care and Social Assistance	+241,000	41%	\$73,991
Construction	+131,200	8%	\$71,115
Professional, Scientific and Technical Services	+108,000	56%	\$88,603
Mining	+103,700	19%	\$121,586
Education and Training	+61,300	64%	\$80,075

Table 2¹³

Top five high growth occupations over five years	
Occupation	Uplift in jobs
Professionals	+254,700
Technicians and Trade workers	+146,500
Community and Personal Service Workers	+118,900
Clerical and Administrative Workers	+97,700
Managers	+94,200

Over the past five years, jobs requiring a bachelor degree or higher qualification have grown by 15.9% or 446,300 jobs. In contrast, jobs with certificate I or compulsory secondary education requirements have only grown by 2.4% or 45,000 jobs¹⁴.

This appears to be good news for female workforce participation, given women's strong higher education results. However, women are largely qualifying for careers in the relatively lower-paid industries of health and social assistance, as well as education, where part-time work is plentiful. They are also concentrated in lower-paid occupations, such as: service workers, clerical, administrative roles and sales workers.

By contrast, women remain under-represented in engineering and IT qualifications. As a result, Australia's higher paid industries, especially mining and technical services, remain male-dominated. Given the skill shortages in these sectors, we must do more to boost the number of women choosing qualifications that feed into technical jobs.

To this point, many businesses and industry associations already have programs to encourage young women into technical careers – the 'push' factor. What's missing is the 'pull'. The perception is that such industries lack flexible work practices and make career progression conditional on full-time employment. If we are to get more women into higher paying industries, businesses in these sectors need to profile successful women, promote their flexible work practices and work on their image as an employer of choice for women.

Table 3¹⁵

Field	Graduate representation within field of education		Postgraduate representation within field of education	
	Females	Males	Females	Males
Health	74%	26%	75%	25%
Management and Commerce	54%	46%	49%	51%
Society and Culture	66%	34%	63%	37%
Engineering	16%	84%	20%	80%
Education	79%	21%	72%	28%
Information Technology	16%	84%	24%	76%

¹² Department of Education, Employment and Workplace Relations 2012, *Australian Jobs 2012*

¹³ Department of Education, Employment and Workplace Relations 2012, *Australian Jobs 2012*

¹⁴ Department of Education, Employment and Workplace Relations 2012, *Australian Jobs 2012*

¹⁵ Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) 2011, *Higher Education Data Cube*, viewed February 2012.

Figure 5: Industry representation by gender

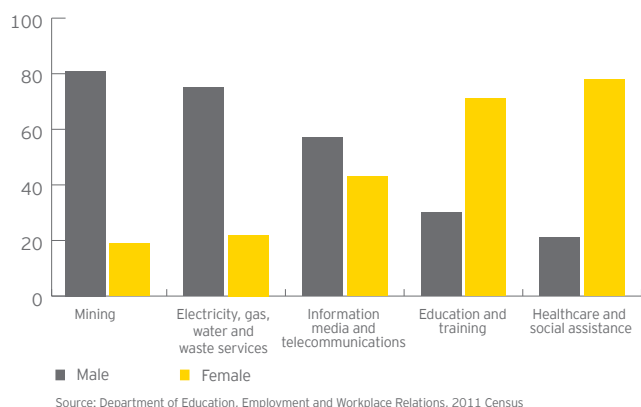
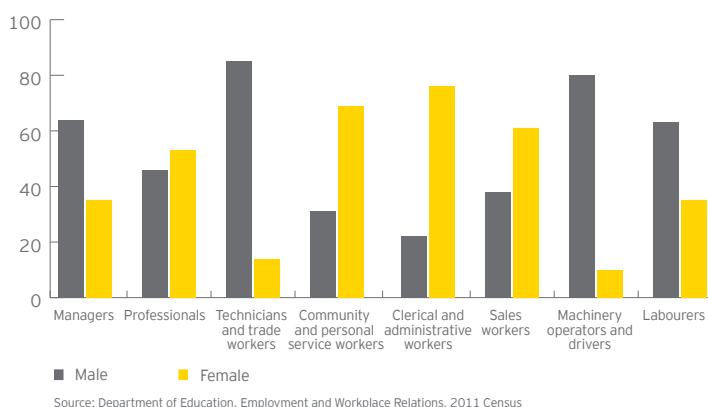


Figure 6: Occupation by gender



The role of government

Government also has a role to play in enabling women to confidently seek careers in more technical industries. If child care was affordable, this would open more possibilities for women with pre-school children to return to full-time work. Then, when choosing qualifications, women could at least see a path that would enable them to combine a career in a highly paid sector with having a family.

Clearly, affordable child care would boost participation across all industries. As the price of child care increases, the number of hours that women are in paid employment decreases¹⁶. Despite recent government intervention to rectify this situation through the introduction of the Child Care Benefit and Child

Care Rebate, many women continue to struggle with the cost of child care as demonstrated in the following scenario¹⁷:

For a couple each earning \$70,000 per annum with two children in child care:

- ▶ The female would take home only \$284 per week which equates to 37% of her gross income, from the first three days of work
- ▶ In the fourth and fifth days, take-home pay after factoring the cost of child care, the child care rebate, tax and family benefits, would be \$57 which equates to only 10% of gross income.

This problem becomes much more severe at lower levels of income.

¹⁶ Jeremenko, J. (2012), Give childcare a tax break, The Australian Financial Review, 1-2.

¹⁷ Daley, J. (2012), Game-changers: Economic reform priorities for Australia. Grattan Institute, 1-77.

5. Conclusion

Australia could boost business productivity by driving greater female workforce participation with flexible work offered at all levels. When given the opportunity to work flexibly, women are our most productive employees, wasting \$14 billion less than their male colleagues every year. Making sure people with interrupted career paths achieve their potential would also improve the return on our education investment by over \$8 billion, and create more self-funded retirees - reducing the cost of supporting our ageing population.

Our investment in education is hugely successful in terms of the number of female graduates it produces, but it's not leading to greater participation. Female graduates outnumber their male counterparts. Yet, most women choose to enter our lowest paid industries and professions, and the women who join our graduate talent pool don't retain their equal footing for very long. Many are lost from the talent pipeline as their lives change and they take on caring roles at home. Some leave the workforce altogether, others mark time in part-time or less demanding roles. Most are taken out of the running for leadership.

Women with post-graduate qualifications are particularly vulnerable, as their average age of graduation (32 years) is the average age for starting a family.

To increase female workforce participation and improve representation, we recommend:

- ▶ **Introduce or extend flexible work practices** – to attract and retain highly motivated, productive women. Women with a high level of job flexibility: waste less time, are more productive and have more clarity over their career direction.
- ▶ **Offer career opportunities to flexible workers** – typically, women in flexible roles are sidelined for promotion. These highly productive workers should be considered as succession candidates alongside their full-time colleagues.
- ▶ **Maintain the career paths of those on parental leave** – people on parental leave miss out on crucial learning, career advancement or promotion opportunities. With appropriate support and communication, those returning from parental leave can make just as important a contribution as they did before their working life was interrupted, and continue to pursue a meaningful career path.

- ▶ **Seek out highly-qualified women who fail to enter the workforce** – universities and industry should work together to increase the numbers of postgraduate women going on to full-time employment.
- ▶ **Change our expectations of leadership qualifications** – many organisations won't consider candidates for senior roles if some of their experience has been in a part-time capacity. We need to open our eyes to the fact that some of our brightest and best candidates have not had traditional career paths – and how damaging this is to their prospects.
- ▶ **Increase the number of women choosing qualifications that feed into more technical, higher paid jobs** – women continue to shy away from industries with family-unfriendly reputations. To complement existing programs to encourage young women into technical careers, businesses in these sectors need to profile successful women, promote their flexible work practices and work on their image as an employer of choice for women.
- ▶ **Make child care more affordable** – enabling women to confidently seek careers in more technical industries.

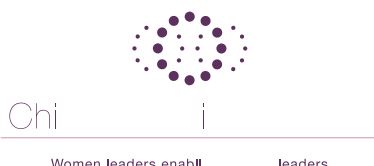
These are bold changes, likely to meet considerable resistance, but the benefits they could unlock are worth the pain of changing thinking, altering policies and challenging assumptions. At a time when Australia is facing numerous productivity challenges, the productivity potential of women in the workforce is an untapped opportunity we cannot afford to overlook.

Acknowledgement

EY would like to thank and acknowledge Chief Executive Women (CEW) members who gave their time to review this publication

Authors

Amy Poynton, EY Advisory Partner
Louise Rolland, EY Advisory Director



Contributing researchers' note

This paper was supported by EY Graduate vacationer program. The following soon-to-be graduates contributed a significant portion of the research and structure of this paper.

Katrina Nguyen-Thai

As a soon-to-be graduate, I found contributing to this report particularly meaningful. I have always had a sense of gender inequality within the workforce and the considerable disparity between female and male representation at Board level, but it was only until writing this report that I truly realised the extent of this problem. I hope that the findings of this report provide new insight into the ongoing problems that women currently face, yet still recognise the barriers that women have faced for decades. It has been wonderful being a part of the research project between EY and CEW.

Matthew Kerr

Upon completion of this report, and the vacationer intern program at EY, I found contributing to this report remarkably enlightening. Initially I was unaware of the barriers that women face as they conclude their studies, enter the workforce and progress up the 'corporate ladder'. Developing this report has shown me how I personally can help foster gender equality throughout my career. I hope that the findings of this report encourages many organisations, particularly those who are less scrutinised by terms of mandatory diversity reporting, to address the issues that prevent women from participating in their workforce, and in turn take advantage of the potential productivity benefits.

Ashlee Booth

As a contributing author to this report, I have been overwhelmed by the findings of the under-representation of women in the workforce and the benefits that Australia could reap from a greater, more effective, utilisation of women. Despite this, I am optimistic that our report will contribute to the ongoing debate for achieving gender equality in the workplace and greater female representation at Board level. It has been both an honour and a privilege to be a part of the EY and CEW research project.

Scott Milligan

The EY and CEW project has been an excellent opportunity to learn about the representation of women in the Australian economy. As a student, it has been eye-opening to examine the difference in graduation rates of females and males, and discuss reasons why this difference isn't maintained throughout our organisations. As a new member of the workforce, it has been fascinating to analyse data relating to productivity and gain insight to the level and value of wastage in the economy. The opportunity to participate in this project has allowed me personally to add my analysis and opinion to a critical Australian debate, and I hope to see much progress in this area in the future.

Christy Huo

It has been inspiring to be a part of this research project with CEW that explores the gender variation in participation rates, representation in industries and leadership roles. As a female employee, this issue is close to my heart as it affects every aspect of my career. This opportunity has allowed me to gain further insights into the productivity benefits that women contribute to the nation and organisations, and the opportunities that Australia has missed due to gender imbalance. I hope that the analysis of this report would shine a new light to the productivity challenges faced by Australia, and how increasing the representation of women in the labour force is integral in resolving this issue.

Pauline Hoang

Working on this project has been particularly interesting and relevant being a female university student preparing to enter the workforce. Prior to commencing this research paper, I only had a general understanding of the issues surrounding the gender debate and Australia's declining productivity. Now I can truly appreciate and understand the importance of addressing these issues as the potential benefits of doing so are beyond remarkable, not only for women but also for the nation. I hope that this report will add to the debate and bring a greater awareness of the opportunity cost to Australia of not utilising women's potential.



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