



The Part-time/Full-time Wage Gap

Australian evidence with respect to the premium or penalty associated with part-time work appears mixed. Preston (2003) found a significant penalty equal to 8.9 per cent (in 1990) whereas in the Austen et al (2008) study using 2006 HILDA data no significant difference was found in the earnings of full-timers and part-timers.

Data from the fourth wave (2010) of the Australia at Work Study¹ are used to analyse the differences in earnings among part-time and full-time employees.² In keeping with numerous studies of the determinants of wages we employed a standard wage equation using the log of hourly earnings as a dependent variable.³ The set of independent variables comprises controls for age, qualifications and other demographic characteristics such as sex, the presence of children and household characteristics. The model also controlled for a range of firm related variables such as workplace size, method of pay setting and industry. Regional variations in capacity to pay were captured via a regional dummy and a control for usual State of residence.

When the 2010 sample is restricted to employee observations with full information on variables in the models for estimation, the sample size is $n=4,277$ employees. Unweighted data are used, where just under half (49.2 per cent or $n=2,103$) of the sample were females and around one-in-three employees (28.9 per cent or $n=1,234$) were employed on a part-time basis.

What did we find?

Relative to full-timers, a significant earnings penalty is observed for part-time work of 6.9 per cent. This is after controlling for industry, gender, workplace size and other characteristics known to affect earnings.

We found a significantly lower rate of return to age amongst part time workers, which is likely attributable to part time workers holding shorter tenure on average- 6.3 years as compared to 8.7 years amongst full timers. Further, no significant

¹ The *Australia at Work* study is being conducted by the Workplace Research Centre at the University of Sydney. The project is funded by the Australian Research Council's Linkage Grant scheme and the industry partner is Unions NSW. Further financial support is provided by CFMEU Energy & Mining Division, CFMEU ACT Branch, NSW Nurses' Association, the Police Federation of Australia, the SDA, the CEPU, the QLD Nurses Federation and the Nurses Federation (Victorian Branch). *The study* is a five-year longitudinal telephone survey of people who were aged 16 to 58 years and in the Australian labour force in March 2006 (i.e. prior to the implementation of the *Work Choices* legislation on 27 March 2006). New entrants and re-entrants to the labour force after March 2006 were not 'in-scope' for the study.

² Information in this factsheet an extract from a research paper by Preston, Yu & Wright(forthcoming). The full paper is available from the authors upon request.

³ The standard Blinder (1973) and Oaxaca (1973) decomposition approach was employed to understand the key contributors to the gender wage gap and, in turn, the observed full-time/part-time earnings gap.

difference was found between the rate of return to education between part-timers and full-timers.

The raw gap between full-time and part-time earnings was found to be 21.7 percent. Decomposing this gap using the Blinder/Oaxaca method⁴ shows that the majority of the part-time/full-time pay gap (86 per cent) is accounted for by observed differences in the characteristics of full-timers and part-timers (e.g. in terms of gender, qualifications, experience, demographic characteristics, wage setting arrangements, industry and geography). The unexplained residual gap is equal to 2.9 per cent, Table 1.

Table 1: Decomposing the Part-Time/Full-Time Wage Gap, 2010

	Raw Wage Gap (%)	Explained Gap (%)	Share of <i>explained</i> gap (%)	Unexplained Gap (%)
Gender		0.037	19.9	
Experience (age and tenure variables)		0.033	17.8	
Qualifications		0.016	8.5	
Demographic (children, household type, language spoken at home etc.)		-0.001	-0.6	
Contract type		0.010	5.5	
Wage setting arrangements		0.019	10.3	
Workplace size		0.014	7.5	
Industry		0.049	26.3	
Geography (region and state)		0.009	4.8	
Total	0.217	0.187	100.0	0.029

Population: All employees with full observations in Wave 4 (n=4277)

Source: Australia at Work Wave 4

Unweighted data

The main factors contributing to the gap in full-time and part-time pay is industry structure (accounting for 26.3% of the explained gap), followed by gender (20% of the explained gap), experience (18%) and pay setting arrangements (10%).

What do our findings suggest?

It is commonly understood that part-time work is both heavily gendered and heavily concentrated in particular industry sectors. It is, therefore, unsurprising to find that industry sector is the main explanatory factor when it comes to accounting for the part-time full-time pay gap. Whilst the data shows that 20 per cent of the raw wage gap can be accounted for by gender *clearly someone's gender isn't a justifiable reason for lower wages*. In other words the data suggest high levels of gender discrimination in the Australian labour market and a significant devaluing of part-time jobs relative to full-time jobs. Method of pay setting is also an important factor affecting wage relativities between the full-time and part-time labour markets, with current wage setting arrangements contributing in a significant way to the narrowing of the part time pay gap. In particular, a greater prevalence of individual contractors in full time roles, and award-reliant workers in part time roles, accounted for one-tenth of the explained wage gap.

⁴ The standard Blinder (1973) and Oaxaca (1973) decomposition approach was employed to understand the key contributors to the observed full-time/part-time earnings gap.