



UNDERSTANDING THE GENDER PAY GAP

WHY IT EXISTS, HOW IT PERSISTS AND HOW COMPANIES CAN START ADDRESSING IT

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INTRODUCTION: MORE THAN JUST NUMBERS

The **gender pay gap** is a widely discussed but often misunderstood issue in the workplace. At first glance, it may seem like a simple matter of unequal wages between men and women. However, its roots extend far deeper - including workforce participation patterns, organisational practices, decision-making processes and broader structural influences. These dynamics not only impact women, but other minority groups such as LGBTQIA+ individuals, people with disabilities and culturally or linguistically diverse staff (CALD). Importantly, many of these drivers sit within the sphere of organisational influence.

By understanding and addressing the gender pay gap, businesses can strengthen performance, enhance talent attraction and retention and build more inclusive and equitable workplaces - making this about much more than achieving a zero gap on paper.

This guide aims to demystify the gender pay gap and explain why it continues to affect diverse groups of employees, despite progress in policy, legislation and awareness. It also introduces the **GEARS Gender Pay Gap Tool**, a simple resource designed to help companies measure, understand and address the gender pay gap in their own organisations.



PART 1: DEMYSTIFYING THE GENDER PAY GAP

WHAT IS THE GENDER PAY GAP?

The gender pay gap refers to the **average difference** in earnings between men and women, and it varies across each organisation, sector or economy, making it more pronounced in some spaces than others. Importantly, **it does not mean that men and women are paid differently for doing the same job**. This is what is referred to as “equal pay for equal work” and it is enshrined in legislation in many countries. A gender pay gap is driven by inequalities in hiring, promotion, caregiving roles, and other factors, which compound across a working life, resulting in women (or minority groups) earning less on average across an organisation or economy.

HOW IS THE GENDER PAY GAP CALCULATED?

Unadjusted Gender Pay Gap

The **unadjusted pay gap** measures the raw difference in average (mean or median) earnings between men and women across an organisation or economy. **It does not account for differences in job roles, experience, education, or hours worked.**

Formula:

$$\text{Unadjusted Pay Gap (\%)} = \left(\frac{\text{Average Male Salary} - \text{Average Female Salary}}{\text{Average Male Salary}} \right) \times 100$$

Example 1: Organisation A

- Average male salary: \$80,000
- Average female salary: \$68,000

$$\left(\frac{80,000 - 68,000}{80,000} \right) \times 100 = 15\%$$

This means women earn **15% less on average** than men in this organisation

What it reveals:

- Occupational segregation (e.g., men may be more likely to be in higher-paying technical roles)
- Representation gaps (e.g., women may be under-represented in decision-making roles)
- Gender norms or perceptions (restricting women to certain positions or responsibilities, e.g., administrative roles)

- Career interruptions or part-time work patterns (e.g., women are more likely to take extended leave or work reduced hours due to caregiving responsibilities)

Adjusted Gender Pay Gap

The **adjusted pay gap** measures the difference in earnings between men and women **after accounting for key variables that typically influence pay**. These variables include but are not limited to:

- Job title or role
- Education level
- Years of experience
- Hours worked (full-time vs. part-time)
- Industry or sector

By controlling for these factors through a **regression analysis**¹, the adjusted pay gap aims to isolate the portion of the pay difference that cannot be explained by legitimate job-related variables - and is therefore more likely due to gender-based bias or discrimination.



Example 2: Hypothetical Case of ACME Corp

ACME Corp has decided to assess whether they have a gender pay gap. The company has:



\$100,000



\$90,000

100 male employees earning an average of \$100,000

150 female employees earning an average of \$90,000

The **Unadjusted Gender Pay Gap is 10%** in favour of men's earnings.

$$\left(\frac{100,000 - 90,000}{100,000} \right) \times 100 = 10\%$$

Next, ACME Corp runs a regression analysis and after adjusting for management responsibility, work experience, education and role, finds:

- Women still earn 4% less than men, even after considering the other factors which may influence pay.

This means that the **Adjusted Gender Pay Gap is 4%**.

¹ Regression analysis is a statistical method used to examine the relationship between one dependent variable (gender) and one or more independent variables (the factors you think influence that outcome, such as job title or education level).

Interpretation:

- The **10% unadjusted gap** reflects broader structural issues like fewer women in senior roles.
- The **4% adjusted gap** points to potential bias or unequal pay for equal work through the administration of bonuses and other benefits.

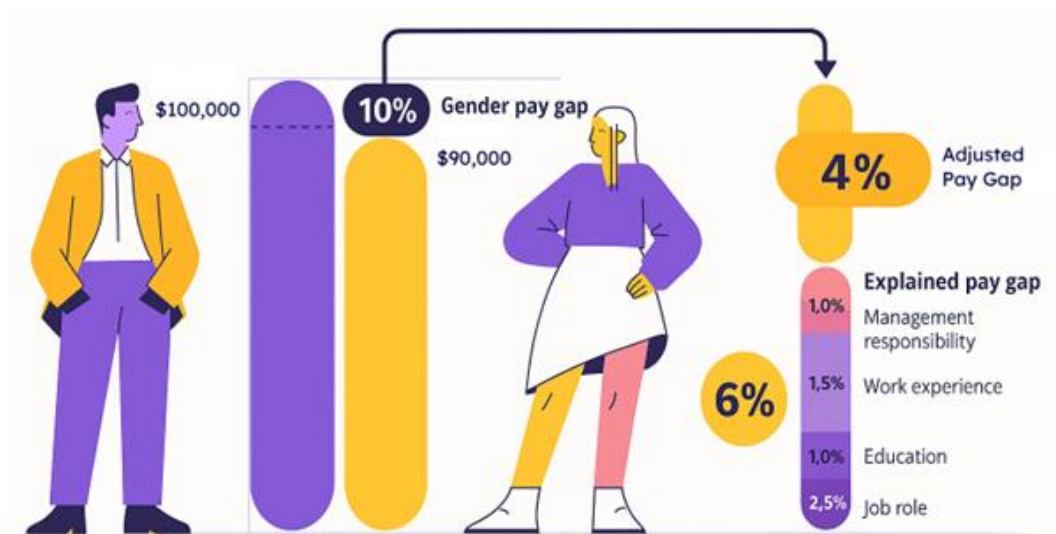


Figure adapted from Pay Analytics, "The Unadjusted Pay Gap vs the Adjusted Pay Gap." Data and design elements have been modified for illustrative and branding purposes.

Why measure both?

Metric	What It Shows	Why It Matters
Unadjusted Gap	Overall inequality in earnings	Highlights representation and access.
Adjusted Gap	Pay differences for comparable roles.	Detects potential gender-based discrimination or any other factors that hinder women from getting higher pay.

Both metrics are essential. A company might have **0% adjusted gap** (indicating equal pay for equal work) but still a **high unadjusted gap** due to underrepresentation of women in higher-paying roles.

HOW DOES THE GENDER PAY GAP PLAY OUT IN REALITY?

Global Examples

Globally, women earn approximately **77-83 cents** for every dollar earned by men².

Some standout examples:

- **As of 2025**, ILO Data indicates gender wage gaps of **19.2% in the US**, **9.9% in Sweden**, and just **0.1% in Mexico**.³
- **A gender pay gap of over 25%** exists in one out of four countries for science and engineering professionals, and in one out of three countries for health professionals – with particularly wide pay gaps observed across different professional categories in this sector⁴. This sits alongside broader evidence that women's work, especially in highly feminised roles, is often undervalued.
- **Young women in some STEM fields** in countries like Chile, France, Lebanon, the Philippines, Thailand and the UK, earn slightly more than young men early in their careers, but the gender wage gap reverses by age 30, when men begin to earn more.⁵
- **A country's gender pay gap can vary depending on how pay is defined and measured**: For example, in February 2025, Australia's Workplace Gender Equality Agency (WGEA) reported a gap of **11.9%** using national survey data based on the base salary of full-time workers. In contrast, in November 2024, just three months earlier, WGEA reported a gap of **21.8%** using Employer Census data based on total remuneration of full-time employees (excluding CEOs).⁶ These differences are not contradictory; rather, they highlight different dimensions of gender inequality in national earnings, helping to further identify where barriers to gender pay equity exist.

According to the **World Economic Forum's Global Gender Gap Report 2026**, the economic participation and opportunity gap has been **61.7% closed**, and at the current rate, it will take **120 years** to reach full gender parity⁷. The report assesses gender equality across four key dimensions: **economic participation and opportunity, educational attainment, health and survival, and political empowerment**, providing a comprehensive view of gender gaps beyond pay alone.

Southeast Asia Examples

According to the Asian Development Bank, **women in Southeast Asia typically earn 30% to 40% less than their male counterparts**⁸. Southeast Asia has made notable progress, but disparities persist:

- Based on estimations of earned income⁹, **Vietnam** has narrowed the gender gap in estimated earned income with a gap of 20.1%, in the **Philippines** it is 23.8%, while in **Indonesia**, women earn only half as much as men, reflected in a gap of 48.3%¹⁰.

² Depending on the methodology used – for example, [World Bank](#) and [US Bureau of Labor Statistics](#).

³ www3.weforum.org/docs/WEF_GGGR_2024.pdf

⁴ <https://ilostat.ilo.org/blog/equal-pay-for-work-of-equal-value-where-do-we-stand-in-2023/>

⁵ ILOSTAT

⁶ <https://www.wgea.gov.au/the-gender-pay-gap>

⁷ <https://www.weforum.org/publications/global-gender-gap-report-2026/>

⁸ <https://www.freiheit.org/sudost-und-ostasien/gender-gaps-southeast-and-east-asia-still-need-be-addressed#:~:text=Remuneration%20for%20working%20women%20is,less%20than%20their%20male%20counterparts.>

⁹ Using a model-based approach that combines several national-level statistics: GDP per capita, labour force participation rates and mean wages or income data (when available).

¹⁰ www3.weforum.org/docs/WEF_GGGR_2024.pdf

- In **Singapore**, one calculation found that the unadjusted gender pay gap for full-time workers aged 25–54 was 14.3% in 2023, while the adjusted gap, accounting for factors like occupation and industry, was 6.0%, with occupational differences being the largest contributor.¹¹



Intersectionality Matters

The pay gap often widens when race, ethnicity, disability, sexuality, and/or cultural and linguistic background is considered, revealing compounded disadvantages. Women from diverse backgrounds may face **multiple layers of bias**, for example:

- Women from a religious minority may experience lower average earnings than men from the same minority group *and* women from the majority religion.
- An ethnically diverse person/person with a disability may be excluded from higher-paying roles due to assumptions about capability.
- LGBTQIA+ women may face workplace discrimination or unconscious bias that limits promotion or access to leadership roles.

These overlapping biases can result in lower starting salaries, slower wage growth and fewer opportunities for advancement, contributing to the pay gap.

Gendered Tax Systems and Their Impact on the Gender Pay Gap

Tax systems, while often designed to be neutral, can reinforce existing gender inequalities when they fail to account for differences in economic participation and caregiving roles. In Indonesia, for example, structural features of the tax code disproportionately affect married women and contribute to the gender pay gap.

¹¹ <https://stats.mom.gov.sg/Pages/Update-on-Singapores-Adjusted-Gender-Pay-Gap.aspx>

Gendered Tax System: The Case of Indonesia

In Indonesia, the tax system is built around the **concept of the family as a single economic unit**, with the husband typically designated as the head of household. Married women must file jointly under their husband's Tax Identification Number (TIN) or, if they opt to file separately, face additional administrative steps and, frequently, a higher tax burden.

Joint income taxation can unintentionally widen the gender pay gap by penalising 'second' earners - typically women.

Combining spousal incomes under one taxpayer can push the second income into a higher tax bracket, increasing the tax rate. This reduces the financial return on women's paid work - when women already often earn less than their partners.

As a result, **women may opt out of formal employment** in favour of unpaid domestic or family work, reinforcing traditional gender roles and limiting economic mobility.

If a married woman chooses to file separately in Indonesia, she must submit a formal declaration and apply for her own TIN. Her income is then taxed independently, often without access to the same deductions available in joint filing. This discourages separate filing and **reinforces male financial dominance**. Furthermore, if filed separately, the ability to claim dependents will likely be allocated to the man as the reduced tax liability more beneficial to someone in a higher tax bracket.



This example reflects a **broader global pattern in which tax systems and labour markets intersect to disadvantage women economically**. Despite appearing gender-neutral on the surface, many tax policies are built on outdated assumptions about family structures and income distribution, often privileging single-income households led by men. These systems tend to undervalue unpaid care work - predominantly performed by women - and penalise secondary earners through higher marginal tax rates or limited access to deductions and benefits. Combined with persistent gender wage gaps and occupational segregation in the workforce, such fiscal frameworks can entrench economic disparities, discourage women's full participation in the labour market, and perpetuate cycles of financial dependency and inequality.

WHY DOES THE GENDER PAY GAP EXIST?

There is no single cause. Instead, it is the result of **overlapping legal, economic and sociocultural factors** that shape the workplace experience. Key contributors include:

- 1. Occupational Segregation** Women and diverse staff are overrepresented in lower-paying industries/roles (e.g., caregiving, education) and underrepresented in high-paying fields like STEM and executive leadership.

2. **Career Interruptions and Part-Time Work** Caregiving responsibilities - which are disproportionately allocated to women - can lead to career breaks or part-time work, which impact earnings and advancement opportunities.
3. **Discrimination and Bias** Subtle and overt biases affect hiring, promotions, and performance evaluations. LGBTQIA+ workers, people with disabilities, and CALD staff may experience both conscious and unconscious bias that limits access to leadership roles or pay equity.
4. **Lack of Transparency** Without clear salary structures or open pay discussions, inequalities go unnoticed and unaddressed. In organisations without pay audits or equitable negotiation practices, gaps remain hidden.
5. **Negotiation Gaps** Studies also show that women and marginalised individuals are less likely to negotiate pay or may be penalised when they do, contributing to persistent disparities.^{12 13}



WHY DOES CLOSING THE GAP MATTER?

Addressing the gender pay gap isn't just a moral imperative – **it is strategic**:



Improved Retention & Engagement: Staff who feel valued and fairly compensated are more likely to stay and perform at their best.



Diverse Leadership Benefits: Inclusive leadership teams drive innovation, reflect diverse customer bases, and make better decisions.



Legal & Reputational Risks: As transparency regulations tighten (usually manifested through mandatory and voluntary reporting), companies with unaddressed pay gaps face increased scrutiny from regulators and the public.



Economic Growth: Closing gender and diversity pay gaps boosts overall economic productivity and household incomes.

¹² Why do women ask for less? <https://www.sciencedirect.com/science/article/pii/S0927537122000951>

¹³ <https://www.wgea.gov.au/newsroom/pay-gaps-and-life-hacks-negotiation>

Laying the Groundwork for Change

Understanding the causes of the pay gap is only the beginning. Organisations can take proactive steps to address it by:

- Developing a remuneration policy that includes gender pay equity objectives.
- Ensuring the policy embeds fairness and equality in line with, or beyond, local regulatory requirements.
- Scheduling and performing periodic gender pay gap analyses to monitor disparities, and then taking action to address inequities.
- Implementing measures to correct gender pay inequalities for equal or comparable roles and including all forms of compensation.
- Ensuring gender pay gap analyses cover both monetary and non-monetary benefits (e.g. Bonuses, allowances, leave entitlements).
- Communicating compensation practices transparently both internally and externally.
- Sharing information about pay levels internally and externally.
- Reporting and communicating on gender pay gaps and remedial actions both internally and externally.¹⁴

WHAT TOOLS CAN COMPANIES USE TO ADDRESS THE GENDER PAY GAP?



The **GEARS Gender Pay Gap (GPG) Tool** is a simple, yet powerful Excel-based resource designed to help organisations measure, understand, and address differences in pay between different groups.

By inputting your employee data and selecting relevant variables, the tool automatically performs a regression analysis to calculate both unadjusted and adjusted pay gaps. It also tests for statistical significance and provides clear visual summaries, interpretation guidance, and recommended actions.

To better understand how your gender pay gap – or any other pay gap – might be affecting your organisation, visit <https://investinginwomen.asia/gears/>.



¹⁴ These steps are based on GEARS Focus Area 3: Gender Pay Equity. For more information on GEARS, please go to <https://investinginwomen.asia/gears/>.



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