

Submission to the Productivity Commission

Inquiry into business reporting requirements (non-financial)

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Topic	Workplace gender equality reporting
Responding to	Information request 3 – Workplace gender equality reporting (question on the use and effects of reported information)
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1. Purpose of this submission

This submission responds to Information request 3 of the Productivity Commission’s call for submissions on business reporting requirements, which concerns workplace gender equality reporting to the Workplace Gender Equality Agency (WGEA). It addresses one question within that request:

To what extent is reported information used by stakeholders, and what effects has its availability had on their decisions, activities or outcomes? For example, have you increased your awareness of or willingness to adopt policies and practices to increase workforce gender equality?

We provide quantitative evidence from our research on how investors and ASX-listed reporting entities have responded to WGEA’s public release of employer gender pay gaps (GPGs). The evidence speaks to both the value of the reported information to stakeholders and its effect on business practices, which are matters the Commission has asked participants to evidence.

2. Summary

WGEA’s publication of employer-level GPG data is used by investors and has measurable effects. We find that:

- share prices of companies with higher-than-industry GPGs fall relative to their peers when the data are released
- more companies voluntarily disclose their GPG in their own corporate reports after the releases
- investors take account of companies’ own disclosures and reported actions, which reduce the share price penalty

- companies that experience a share price decline subsequently move their GPG towards their industry median, with the change concentrated in the lowest-paid quartile of their workforce.

3. About the research

The research was conducted by Dr Wei Shi (Deakin University), Dr Ruizhe Wang (Macquarie University) and Associate Professor Shan Zhou (University of Sydney). It uses data published by WGEA to examine the effects that the availability of these data has had on investors and on the ASX-listed entities that report them.

We examine share price reactions to WGEA's first two public releases of employer GPGs, on 27 February 2024 and 4 March 2025. Our sample comprises 193 listed companies at the first release and 264 at the second. The median company in our sample reported a median total remuneration GPG of 17.8% at the first release and 17.4% at the second.

Throughout, a "high-GPG" company is one whose GPG is above the median for its industry, and share price reactions are measured as cumulative abnormal returns (CARs), that is, returns in excess of those expected given overall market movements.

4. Key findings

4.1 The availability of GPG data informs investors

Over the three trading days beginning on the release day (days 0 to +2), high-GPG companies experienced cumulative abnormal returns roughly 0.7 percentage points lower than their low-GPG industry peers.

For the median company in our sample, with a market capitalisation of about \$800 million, a relative decline of 0.7% represents about \$5.6 million in market value. Across all high-GPG companies in our sample, which had a combined market capitalisation of about \$735 billion at the first release and \$896 billion at the second, a relative decline of this size corresponds to approximately \$5 billion and \$6 billion in market value respectively.

4.2 The availability of GPG data prompts more voluntary disclosure

The percentage of companies voluntarily disclosing their GPG in their annual or sustainability reports rose from 11.4% to 20.8% between the two releases. Around a third describe steps to address their GPG in these reports.

Companies' responses to WGEA's annual Employer Census show broader engagement: most report taking action following a gender pay gap analysis (61.7% at the first release and 73.0% at the second).

4.3 Investors take account of companies' voluntary disclosures

The negative share price reaction to a high GPG is weaker where companies had already voluntarily disclosed their GPG in their own reports: the penalty falls from about 0.8 for those

that did not disclose to about 0.4 percentage points. This suggests that voluntary disclosure reduces the shock from WGEA's release when a company's GPG is relatively high.

Investors also consider companies' reported actions. The penalty for high-GPG companies is much smaller when a company describes specific actions on pay equity in its public corporate reports or in the data it reports to WGEA.

4.4 The market penalty prompts real action to close the GPG

Companies whose share price fell subsequently moved their GPG towards their industry median, and the larger the price decline, the stronger this adjustment. We find no such relationship among companies whose share price rose, which suggests the adjustment is a response to the market penalty.

Worked example: consider a company whose GPG is 10 percentage points above its industry median and whose shares earned a cumulative abnormal return of -5% around the release. In the following year, its GPG was about 2.4 percentage points lower than that of an otherwise similar company whose share price did not react.

4.5 The adjustment is concentrated in the lowest-paid quartile

We repeated the analysis for women's share of each pay quartile, measured relative to the median for the company's industry. Among companies whose share price fell, the larger the decline, the more women's share of the lowest-paid quartile moved towards the industry median in the following year. Women's shares of the other quartiles, including the highest-paid, show no such relationship, and we find no such relationship among companies whose share price rose.

The response therefore appears in the composition of lower-paid roles rather than in women's advancement into the best-paid positions, which may take longer.

5. Relevance to the inquiry

Our findings indicate that information reported to WGEA, once published, is used by investors in pricing companies, encourages further voluntary disclosure, and is followed by measurable changes in reporting companies' gender pay gaps. We suggest the Commission take this demonstrated value into account when weighing the costs and benefits of workplace gender equality reporting, including any changes to what is reported or published.

Our sample consists of ASX-listed companies, which are generally larger than the 100 to 500 employee businesses the Commission has identified as a particular interest. Our findings may therefore not apply directly to smaller reporting businesses, where share price reactions are not a relevant channel.

This is a work in progress and not published yet. We plan to publish a working paper by the end of the year. We would be pleased to provide further detail on our data and methods, or to discuss these findings with the Commission.