

The background of the top half of the page is a light-colored pattern of Indigenous Australian art. It features various motifs including concentric circles, wavy lines, and stylized hands, rendered in shades of blue, orange, and white. The pattern is dense and covers the entire upper section.

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The Cost of Workplace Racism and Racial Inequity:

What Indigenous employees and Australian employers pay

Prepared by
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People and Work (CIPW)**



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THE COST OF WORKPLACE RACISM & RACIAL INEQUITY

SNAPSHOT

Workplace racism and inequity come with costs for Indigenous employees and Australian employers. Centre for Indigenous People and Work (CIPW) scenario modelling, drawing on *Gari Yala 2* and *Towards Indigenous Pay Parity*, shows just how significant those costs could be.

For Aboriginal and Torres Strait Islander employees the modelling illustrates how pay inequality and unpaid workplace demands can accumulate across a career.

For employers, it examines the potential turnover costs associated with the substantially higher intentions to leave reported by employees experiencing racism.

The message for business is clear. Creating workplaces that value Aboriginal and Torres Strait Islander employees and prevent racism is not only the right thing to do, it makes good business sense.

The figures are scenario estimates designed to illustrate potential scale. They are not forecasts and should not be interpreted as costs directly caused by workplace racism.

We thank Indigenous Business Australia for reviewing the scenario modelling in this research release.



UNDERSTANDING THE COST OF WORKPLACE RACISM & RACIAL INEQUITY

Workplace racism and racial inequities carry multiple costs, affecting Aboriginal and Torres Strait Islander employees as well as the organisations that employ them.

- **For Aboriginal and Torres Strait Islander employees**, workplace racism and racial inequities can mean earning less and taking on additional workplace responsibilities that are not formally recognised or paid. Over time, these differences can accumulate into a substantial economic impact.
- **For employers**, workplace racism can also create workforce risks. *Gari Yala 2* found that Indigenous employees experiencing racism more frequently were substantially more likely to report strong intentions to find another employer. Higher employee turnover can bring significant costs through recruitment, vacancies, onboarding, training and lost productivity. Our scenario modelling focuses specifically on potential turnover costs.

Our modelling therefore looks at two different pathways, as shown below.

INDIGENOUS EMPLOYEES	EMPLOYERS
The cost of workplace racism and racial inequities to Indigenous employees	The potential cost of racism-associated turnover to employers
We model what the existing average Indigenous earnings gap and additional unpaid workplace demands could add up to over an illustrative 45-year working life.	We model what the higher turnover intentions associated with experiencing workplace racism could mean for Australian employers if some of those intentions translated into employees leaving.



THE COST OF RACIAL INEQUITY: EMPLOYEES & EMPLOYERS PAY

More than \$900,000 in potential employment-related costs over an Indigenous employee's career, alongside \$604 million to \$1.21 billion a year in potential employer turnover costs

Workplace racism and the wider inequities experienced by Aboriginal and Torres Strait Islander employees carry substantial costs for employees and Australian employers. Scenario modelling from the Centre for Indigenous People and Work (CIPW) estimates just over \$900,000 in potential employment-related costs over an Indigenous employee's 45-year career. Separate CIPW modelling estimates that turnover associated with elevated turnover intentions among employees experiencing racism could cost employers \$604 million to \$1.21 billion annually under the central scenario.

The two estimates measure different costs, but read side by side, they point to a shared conclusion: preventing workplace racism and addressing the undervaluing of Indigenous work would deliver important benefits for employees and employers alike.

WHAT INDIGENOUS EMPLOYEES PAY		WHAT EMPLOYERS PAY
1 PAY GAP \$676,845 per Indigenous employee over 45 years Foregone earnings if the current average annual Indigenous income gap of \$15,041 persisted.	2 UNPAID WORKPLACE DEMANDS \$231,623 per Indigenous employee over 45 years The value of 2.38 unpaid hours a week at the average Indigenous hourly income of \$41.59.	3 RACISM-RELATED TURNOVER \$604m-\$1.21bn national employer cost each year central scenario Potential turnover costs associated with elevated turnover intentions among employees experiencing racism.

These are different costs operating through different pathways and over different timeframes. They should not be added together. Instead, they show how workplace racism and racial inequities can carry consequences for both Aboriginal and Torres Strait Islander employees and the organisations that employ them.



INDIGENOUS EMPLOYEES FACE A NEAR-MILLION-DOLLAR CAREER COST

The cost of undervaluing Indigenous employees can accumulate to close to \$1 million over a working life. Drawing on CIPW and Indigenous Business Australia's (IBA) *Towards Indigenous Pay Parity* research and CIPW's *Gari Yala 2* research, the modelling brings together an average annual Indigenous earnings gap of \$15,041, equivalent to \$676,845 over 45 years, and approximately \$5,147 a year in unpaid cultural-related unpaid workplace demands, adding another \$231,623. Together, that amounts to an illustrative \$20,188 a year, or \$908,468 across a 45-year career.

And the cost does not necessarily end at retirement. The \$908,468 estimate deliberately excludes retirement disadvantage, meaning it captures only the employment-related component of a potentially larger lifetime economic impact.

COMPONENT	ANNUAL IMPACT	ILLUSTRATIVE 45-YEAR IMPACT*
Indigenous pay gap	\$15,041	\$676,845
Unpaid workplace demands	\$5,147	\$231,623
COMBINED EMPLOYMENT-RELATED IMPACT	\$20,188	\$908,468

Note: Totals are calculated using unrounded underlying values and may differ slightly from calculations based on displayed rounded figures.



THE BILLION DOLLAR BUSINESS COST OF WORKPLACE RACISM

Workplace racism could be associated with \$604 million to \$1.21 billion a year in Indigenous staff turnover costs for Australian employers, according to separate CIPW scenario modelling. The modelling estimates potential racism-related Indigenous staff turnover costs of \$604 million to \$1.21 billion annually under the central scenario, rising to as much as \$1.81 billion across the full range of assumptions tested.

The modelling builds on findings from CIPW's *Gari Yala 2* research, which found a substantial difference in turnover intentions between Indigenous employees experiencing more and less workplace racism. Among respondents who experienced workplace racism very often, often or sometimes, 26% said they were very likely to make a genuine effort to find another employer within the next year, compared with just 7% of those who experienced racism never or hardly ever – a difference of 19 percentage points.

If half of that additional strong turnover intention translated into employees leaving, the central scenario estimates around 17,679 additional departures. The estimated annual employer cost under this scenario is:

- \$604 million if replacing an employee costs 50% of average annual Indigenous employee income
- \$1.21 billion if the cost is equivalent to 100% of annual income.

Across all the sensitivity assumptions tested, the potential annual cost ranges from approximately \$302 million to \$1.81 billion.

These estimates capture turnover costs only. The *Gari Yala 2* research also found poorer outcomes among employees experiencing more frequent racism across job satisfaction, likelihood of recommending their employer, and health and life satisfaction, adding to the case for employers to treat preventing workplace racism as a workforce and organisational priority.

Scenario	Assumed conversion of strong turnover intention to actual departure	Estimated additional departures	Turnover cost = 50% annual income	Turnover cost = 100% annual income
Low	25%	8,839	\$302m	\$604m
Central	50%	17,679	\$604m	\$1.21bn
High	75%	26,518	\$906m	\$1.81bn



THE CASE FOR POSITIVE EMPLOYER ACTION

Workplace racism carries costs that neither Indigenous employees nor Australian businesses should have to bear. Prevention offers a way forward: better outcomes for Indigenous people, stronger workplaces and a more productive economy.

Taken together, these findings make a powerful case for prevention. The costs are borne differently by Indigenous employees and employers, but both point to the value of acting before harm occurs.

Employers have an important opportunity to lead the prevention of workplace racism. A proposed positive duty under the *Racial Discrimination Act 1975*, modelled on the approach already operating under the *Sex Discrimination Act*, would provide a clearer framework for businesses to take reasonable and proportionate action before problems escalate.

CIPW's *Gari Yala 2* research found that practical proactive workplace measures are associated with better employment outcomes. Among Aboriginal and Torres Strait Islander survey participants who said their organisation had neither anti-discrimination training nor a formal racism complaint procedure:

- 66% reported experiencing racism sometimes, often, or very often,
- this dropped to 56% among those whose workplace had at least one of these supports in place, and
- further to 40% among those who said their workplace had both.

These differences also shaped how supported employees felt when racism occurred. Among Indigenous participants who had experienced racism:

- 35% in workplaces with neither training nor a complaint procedure disagreed or strongly disagreed that they had the support they needed,
- this dropped to 26% in workplaces with at least one support in place, and
- further to 17% in those with both.



METHOD & INTERPRETATION

At a Glance

The employee-cost estimate is illustrative current-dollar scenario modelling. It assumes current annual earnings differences and unpaid workplace demands continue across a 45-year working life. It does not adjust for inflation, wage growth, taxation or discounting.

The turnover estimate is scenario modelling, not a forecast or direct causal estimate. *Gari Yala 2* is a large national survey but not a probability sample. The association between racism exposure and turnover intention does not establish that racism caused the entire difference. The conversion of intention into departure and the turnover-cost assumptions are sensitivity parameters.

The figures should not be added together. They are presented side by side to show that workplace racism and racism-linked inequities create material costs for employees and employers through different pathways and over different timeframes.

How We Estimated the Cost to Employers

The 7-step model asks: What could employee turnover linked to workplace racism cost Australian employers?

1. Start with the Indigenous employee population (321,400 Indigenous employees)

The model uses an estimated 321,400 Aboriginal and Torres Strait Islander employees, derived from the ABS National Aboriginal and Torres Strait Islander Health Survey 2022–23. The estimate distinguishes employees from other employed people, including owner-managers and contributing family workers. Status-in-employment data are available for the non-remote population; the observed employee share in this population (90.35%) was applied to the remaining employed population not covered by the status-in-employment measure to estimate the national employee population. This produces an estimated national population of approximately 321,400 Indigenous employees. Employees, rather than all employed people, are used because the modelling estimates the costs incurred by employers when employees leave and need to be replaced.

2. Apply the observed workplace racism prevalence (186,091 Indigenous employees)

In *Gari Yala 2*, 57.9% of respondents experienced workplace racism sometimes, often or very often, based on a composite measure covering nine forms of interpersonal workplace racism. For scenario-modelling purposes, this observed prevalence is applied to the estimated national Indigenous employee population: $321,400 \times 57.9\% = \text{approximately } 186,091$.



3. Apply the excess strong turnover intention associated with racism (35,357 Indigenous employees)

Among *Gari Yala 2* respondents experiencing racism sometimes or more often, 25.9% were very likely to make a genuine effort to find another employer within the next year, compared with 6.9% of those experiencing racism never or hardly ever. The difference is 19 percentage points.

For scenario-modelling purposes, this 19 percentage-point difference is treated as excess strong turnover intention associated with workplace racism. This is a modelling assumption and does not establish that racism caused the entire difference. The calculation was: $186,091 \times 19\% = 35,357$.

The model uses the 19 percentage-point difference, rather than the full 25.9% turnover-intention rate, to allow for the baseline prevalence of strong turnover intention among employees who experience racism never or hardly ever. This reduces the risk of attributing turnover intentions arising for other reasons to workplace racism.

The 35,357 figure represents modelled excess strong turnover intention, not actual employee departures. The analysis identifies an association between workplace racism and turnover intention and does not establish that racism caused the entire difference. Actual departures are estimated separately in Step 4 using the 25%, 50% and 75% conversion scenarios.

4. Convert strong intention into modelled departures (8,839 to 26,518 Indigenous employees)

Not everyone who reports strong turnover intentions subsequently leaves their employer. Because there is no single established conversion rate that can be applied confidently across occupations and labour-market contexts, we model three evenly spaced sensitivity scenarios: 25%, 50% and 75%. These scenarios are not empirical predictions. They test how the estimated costs change under lower, central and higher assumptions. This produces 8,839 to 26,518 additional departures, with 17,679 departures in the central scenario.

Scenario	Turnover intention → actual departure conversion assumption	Status
Low	25%	Lower sensitivity scenario
Central	50%	Central sensitivity scenario
High	75%	Higher sensitivity scenario



5. Estimate annual income per employees (\$68,308)

CIPW and IBA's *Towards Indigenous Pay Parity* report calculates the average annual income for Aboriginal and Torres Strait Islander employees to be \$68,308, using 2022–23 JSA PLIDA income data.

6. Apply turnover-cost assumptions (\$34,154 or \$68,308 per departure)

The model applies turnover costs equal to 50% and 100% of average annual income. These are literature-informed sensitivity assumptions,¹ not observed costs for individual employers. They produce assumed costs of \$34,154 and \$68,308 per departure, respectively.

Sensitivity assumption	Calculation	Assumed cost per departure
Lower cost	50% × \$68,308	\$34,154
Higher cost	100% × \$68,308	\$68,308

7. Calculate the annual employer cost (\$302 million to \$1.81 billion)

The model multiplies the potential departures under each scenario by the two assumed costs per departure. This produces a central-scenario range of \$604 million to \$1.21 billion and a full sensitivity range of \$302 million to \$1.81 billion.

Assumptions and caveats

- **Indicative scenario modelling, not a total cost estimate.** The results estimate potential employer turnover costs associated with workplace racism. They do not estimate the total economic or human cost of racism.
- **Indigenous employee population.** The estimated population of 321,400 Indigenous employees is derived from ABS National Aboriginal and Torres Strait Islander Health Survey 2022–23 data. Because status-in-employment data are available for the non-remote population, the observed employee share was applied to the remaining employed population not covered by this measure. The resulting figure is therefore an estimated national employee population rather than a directly observed national employee count.
- **Non-probability survey sample.** *Gari Yala 2* is a large national survey of 1,158 Aboriginal and Torres Strait Islander employees, with diversity across geography, industries, organisation and employment types, and seniority. However, recruitment used a non-probability research panel and convenience/snowball sampling. Applying the 57.9% observed prevalence nationally is therefore a modelling assumption, not a nationally representative prevalence estimate.



- **Association is not causation.** The 19 percentage-point difference shows an association between greater racism exposure and strong turnover intention. It does not establish that racism caused the entire difference.
- **Turnover intention is not actual turnover.** The model therefore tests low, central and high conversion scenarios of 25%, 50% and 75%. These are sensitivity assumptions selected to show how the results change across a broad and evenly spaced range; they are not empirically established universal conversion rates.
- **Turnover costs vary.** The 50% and 100% annual-income assumptions are sensitivity parameters. Actual recruitment, vacancy, onboarding, training, management and productivity costs will vary across employees, occupations and employers.
- **The model captures turnover costs only.** It does not quantify other potential effects of workplace racism, including health and wellbeing impacts, absenteeism, reduced productivity, constrained career progression, complaints or litigation.

How We Estimated the Cost to Indigenous Employees

The 6-step model asks: What could the undervaluing of Indigenous work cost an employee over a working life?

1. Estimate the annual Indigenous earnings gap (\$15,041 per year)

The model uses average annual income of \$68,308 for Aboriginal and Torres Strait Islander employees and \$83,350 for all Australian employees, as reported in CIPW and IBA's *Towards Indigenous Pay Parity* research report. The difference is \$15,041 per year: $\$83,350 - \$68,308 = \text{approximately } \$15,041$.

2. Estimate weekly unpaid workplace demands (2.38 hours per week)

An unpublished analysis of the *Gari Yala 2* dataset undertaken by CIPW for this scenario modelling estimates that Aboriginal and Torres Strait Islander respondents working in non-identified roles in mainstream organisations spent an average of 2.38 hours per week on additional cultural, mentoring and workplace responsibilities outside their formal (paid) role expectations and normal workloads.

3. Calculate the annual value of unpaid workplace demands (\$5,147 per year)

The model values the 2.38 unpaid hours per week using the average Indigenous hourly income of \$41.59 reported in CIPW and IBA's *Towards Indigenous Pay Parity* report. The corresponding average hourly income for all Australian employees is \$49.46, an average hourly Indigenous Pay Gap of 15.9%. Applied across 52 weeks, the calculation is: $2.38 \text{ hours} \times \$41.59 \times 52 \text{ weeks} = \$5,147 \text{ per year}$.



4. Combine the annual costs (\$20,188 per year)

The model adds the annual Indigenous earnings gap and the estimated annual value of unpaid workplace demands: $\$15,041 + \$5,147 = \$20,188$ per year.

5. Apply the illustrative career length (45-year working life)

The analysis assumes that current levels of earnings inequality and unpaid workplace demands remain broadly unchanged across a 45-year working life. This is a scenario assumption used to demonstrate cumulative scale, not a prediction of any individual career. The 45-year working life model assumption is consistent with the publicly reported Australian estimate that most people spend approximately 45 years in the workforce over their lifetime (University of Queensland, 2023).

6. Calculate the illustrative career cost (\$908,468 over 45 years)

The model applies each annual impact across 45 years. The earnings gap contributes \$676,845 and unpaid workplace demands contribute \$231,623. Together, they produce an illustrative employment-related career cost of \$908,468.

Assumptions and caveats

The estimate should be viewed as an indication of the potential scale of cumulative workplace disadvantage rather than a prediction of outcomes for individual employees.

- **Illustrative scenario modelling, not a forecast.** The estimate shows the potential cumulative scale of workplace disadvantage if contemporary conditions persisted. It is not an actuarial estimate or a prediction of outcomes for individual employees.
- **Current-dollar extrapolation.** The model does not adjust for inflation, wage growth, taxation or discounting.
- **Ongoing workforce participation.** The calculation assumes workforce participation across the full illustrative 45-year period.
- **Valuation of unpaid work.** Unpaid workplace demands are valued using average Indigenous hourly earnings. The reported hours are estimated from survey response categories rather than exact recorded hours.
- **Source populations are not identical.** The two source datasets are broadly comparable but do not describe exactly the same population.
- **Employment-related impacts only.** The headline estimate excludes superannuation and retirement-savings differences to reduce the risk of double counting effects already associated with lower earnings.



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ENDNOTES

¹ The model applies turnover costs equal to 50% and 100% of average annual income. These are literature-informed sensitivity assumptions, not observed costs for individual employers. Turnover-cost estimates vary substantially depending on the role and the costs included. Research published by the Society for Human Resource Management Foundation reports that direct replacement costs can reach 50%–60% of annual salary, while total turnover costs can range from 90%–200% of annual salary (Allen, 2008). Similarly, Gallup estimates replacement costs at 50% to 200% of annual salary (McFeely & Wigert, 2019). Boushey and Glynn (2012) found a median replacement cost of 21% of annual salary but estimates as high as 213% for some highly paid or specialised roles. Bryant and Allen (2013) report that turnover costs can exceed 100% of annual compensation. Taking these findings into account, our model therefore uses 50% as the lower-cost assumption and 100% as the higher-cost assumption, rather than treating either as a definitive estimate.

