

## Women, employment and earnings

*Briefing from the UK Women's Budget Group on recent changes to the labour market by gender*

### Key points

- Employment rates are at record levels but the **gender employment gap** is still 9 percentage points and this widens to **27 points** when measured in **full-time equivalent**.
- Women are now 47% of those in employment but are still the **majority** of those in **part-time** employment (73%), **involuntary part-time** employment (57%), **temporary** employment (53%), **zero-hour contracts** (57%) and **part-time self-employment** (58%).
- Unemployment rates have fallen faster for men than for women since the peak of 2011; long-term unemployment prevalence has increased for women over 50 while decreased for men.
- Employment rates of Bangladeshi and Pakistani women still lag behind that of other groups. Bangladeshi and Pakistani women are also more likely to work in the public sector meaning they are more exposed to the loss in employment and pay freeze than other groups.
- Wages have continued to stall in real terms and fell since last year.
- The Gender pay gap has continued to fall, however it has increased in the public sector and for full-time employees it is at its highest level since 1999.
- Women account for 70% of low earners (67% of full-time low earners), a proportion slightly up from 2011 (69%) when measured as earnings below 60% of full-time weekly earnings.
- The Supreme Court ruling to reverse the increase in fees for employment tribunals is very welcome. In the first year after fees were increased there was a dramatic fall in claims with claims for Sex Discrimination claims falling by 91%.
- Paid employment will only provide a reliable route out of poverty for women if action is taken to address continued gendered inequalities in the labour market.

Paid employment is often positioned as a key route out of poverty. The government has repeatedly cited its record on increasing women's economic activity in response to analysis showing that cuts to benefits and services have fallen disproportionately on the shoulders of women.<sup>1</sup>

It is certainly the case that one of the key structural shifts in the labour market over not just the last decade but the last 40 years has been the increase in women's participation in paid employment. However, while women's employment rates may have increased

markedly, they continue to lag behind that of men and women remain overrepresented in low-paid, part-time and insecure forms of employment.<sup>2</sup>

### Economic activity, employment and unemployment: who is in (paid) work?

There are now more women in paid employment than at any time, with economic activity levels having recovered significantly for both men and women since the peak of the economic crisis in late 2011. 70.6% of

<sup>1</sup> See for example, Hansard (2016) *Equality: Autumn Statement*, Opposition Day Debate, 14 Dec (<http://bit.ly/2zMPXpa>)

<sup>2</sup> The Fawcett Society (2014) *The Changing Labour Market 2: Women, low pay and gender equality in the emergent recovery* (<http://bit.ly/1rMAKsZ>)

women aged 16-64 are in paid work as are 79.6% of men. This gap means that there are still nearly two million fewer women in employment than men. In fact, the full-time equivalent gender employment gap (based on full-time hours of all in employment in each year) has remained fairly stable since 2009 at 27 percentage points.

Women are the majority of those employed part-time (73% of all part-time workers). They are also more likely than men to be involuntarily part-time (57% of involuntarily part time employed), in part-time self-employment (58% of part-time self-employed) or in

temporary employment (53.9% of temporary workers). Increases in involuntary part-time and temporary workers since 2011 have been disproportionately shouldered by women.

While unemployment has shrunk for both sexes, it has reduced less rapidly for women than for men. Nearly 40% of unemployed women aged over 50 were so for at least 12 months, a prevalence that has increased since 2011 (and which is also 8 percentage points higher than in 2008).

**Table 1. Employment indicators in Jul-Sep 2017 and changes since 2011 (seasonally adjusted)**

	Jul-Sep 2017		Change since Oct-Dec 2011			
	Men	Women	% who are women	Men	Women	% women in change
Employment	16,984	15,075	47.0%	8.8%	11.3%	52.6%
Unemployment	770	654	45.9%	-49.9%	-41.6%	37.8%
Part-time (PT)	2,280	6,262	73.3%	12.8%	6.8%	60.6%
Involuntary PT	451	594	56.8%	-24.1%	-21.3%	52.9%
Temporary	747	839	52.9%	1.3%	3.4%	74.0%
Self-employed	3,225	1,585	33.0%	12.7%	30.7%	50.7%
PT self-employed	597	830	58.2%	23.5%	29.3%	62.3%
Empl. rate (16-64)	79.5%	70.6%		4.1%	5.2%	
FTE empl. rate (16-64)	78.1%	51.0%		4.4%	3.9%	
Unemp. rate (16+)	4.3%	4.2%		-4.6%	-3.5%	
Long term unemp.	30.2%	24.1%		-5.8%	-3.1%	
LT unemp. 50+	43.3%	38.5%		-5.9%	2.6%	
LT unemp. 18-24	25.5%	13.1%		-3.2%	-8.1%	

Source: Women's Budget Group calculations using the ONS Labour force Survey (November 2017).

These headline indicators by gender mask considerable variation in the rates of participation in paid work by ethnicity. The chart below shows employment rates of women (aged 16-64) by ethnicity. Bangladeshi and Pakistani women's employment rate still lags behind that of other ethnic groups although showing a marked increase since 2011.

Women predominate in the so-called 'five Cs' of caring, cashiering, catering, cleaning and clerical work. They are also more likely than men to be working in the public sector, making up just over two thirds of all

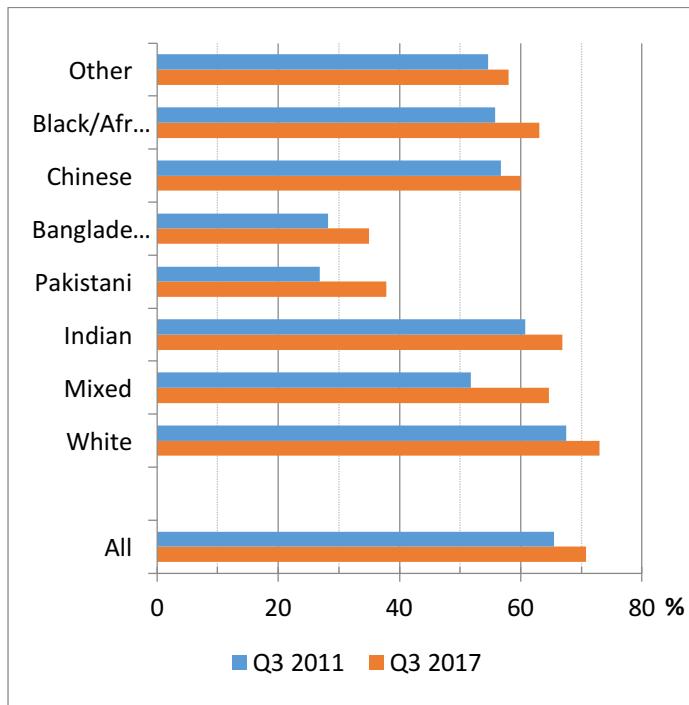
public sector employees and 9 out of 10 part-time public sector employees.<sup>3</sup> This has made them particularly vulnerable to the spending cuts on public services, which have seen employment in the public sector as a proportion of all employment fall from 21.8% to 16.9% since June 2010, as well as to the effects of the public sector pay freeze.<sup>4</sup>

<sup>3</sup> ONS (2015) *Public sector employment by gender* (<http://bit.ly/2z5JBUZ>)

<sup>4</sup> ONS (2017) *EMP02: Public and private sector employment* (<http://bit.ly/2AKd3MK>)

These impacts are likely to be felt more strongly by Black, Pakistani and Bangladeshi women compared to other groups as they are disproportionately represented in the public sector<sup>5</sup>.

**Figure 1. Employment rates of women (16-64) by ethnicity, Jul-Sep 2011 and Jul-Sep 2017**



Source: WBG calculation based on ONS A09, November 2017 release

### Zero-hour contracts

In the first quarter of 2017 over 880,000 people were estimated to be on a zero-hour contract, representing 2.8% of those in employment. The majority (510,000) of those on zero-hour contracts are women; 3.4% of women in employment are on zero-hour contracts.<sup>6</sup> Nearly a quarter of people working in caring, leisure and other service occupations, where women predominate, are on zero-hour contracts.

While some people may choose to work on a zero-hour contract, such contracts can leave workers with few employment rights. Since the contract contains no guarantee of hours an employer can chose to reduce hours to zero if an employee has to take time

off sick, or becomes pregnant. Zero hours contracts make it impossible to budget, hard to rent in the private sector and create problems with tax credits or universal credit as income can fluctuate from week to week.

### Self-employment

Self-employment in the UK is at the highest point since records began. As Table 1 above shows it has risen from 3.9 million in 2008 to 4.8m in 2017. The proportion of all workers who are self-employed has risen from close to 13% in 2008 to 15% in 2017. The largest growth has been in the number of part-time self-employed workers, which rose by 88% between 2001 and 2015, compared with an increase of 25% among full-time self-employed workers.<sup>7</sup>

Self-employed women are the majority of the newly self-employed. The increase in the number of women in the UK becoming self-employed is unprecedented. Historically, women have made up just over a quarter of the self-employed, but since the 2008 downturn 58% of the newly self-employed have been female. In 2014, 70% of those becoming self-employed were women.<sup>8</sup>

For many women self-employment is a positive option allowing them to pursue fulfilling and flexible work. But the upward trend in the number of self-employed women goes alongside a sharp downward trend in their incomes, access to training and social protection. For a growing proportion of women, self-employment does not appear to be a 'choice' but a necessity driven by factors such as public sector job losses, the uprating of the female retirement age, or a need to accommodate caring responsibilities. Data from the Family Resources Survey showed that in 2014, median annual earnings of self-employed women were about 38% lower than that of their male counterparts (compared to 37% amongst employees).<sup>9</sup> Median earnings of self-employed women (from all sources) were about a third lower than median earnings of women employees in 2014.

<sup>7</sup> ONS (2016) *Trends in self-employment in the UK: 2001 to 2015* (<http://bit.ly/2aHiX5z>)

<sup>8</sup> ONS Labour Force Survey, January 2015

<sup>9</sup> WBG calculations using the Landman Economics tax-benefit model

<sup>5</sup> ONS (2017) *Labour Force Survey, April-June 2017* (<http://bit.ly/2imh3wn>)

<sup>6</sup> ONS (2017) *People in employment on zero hours contracts* (<http://bit.ly/2yM5kNQ>)

There is concern that a significant proportion of those who were formerly employed in the public sector could be defined as ‘bogusly’ self-employed. This occurs when workers are told that they are self-employed when in fact legal tests would likely define them as employed. As a result they lose employment rights, such as holiday and sickness entitlements, and the government loses tax revenues. A report by Citizens Advice suggests that bogus self-employment is increasing in traditionally female-dominated sectors, including caring and cleaning.<sup>10</sup>

### Tribunal fees

The decision by the Supreme Court to outlaw fees for employment tribunals is very welcome. In 2013 fees for employment tribunals were increased to £1200. In the first year after tribunal fees were increased individual claims had fallen by 70% and Sex Discrimination claims by 91%.<sup>11</sup>

### Earnings: What is happening to pay?

In April 2017, median gross weekly earnings for full-time employees in the UK were £550, up 2.2% from £539 in 2016. Weekly earnings for part-time employees also increased, from £177 in 2016 to £182 in 2017 (an increase of 2.9%).<sup>12</sup> However, inflation rose by 2.6% over the same period meaning that in real terms average full-time earnings fell by 0.4%.

Men working full-time continue to earn more on average than women working full-time (£592 per week compared with £494), but pay for women working full-time has increased by slightly more than for men (2.4% and 2.7% respectively).

As a result of the public sector pay freeze, the pay of public sector employees increased by only 0.9% between 2016 and 2017, a real-terms cut of 1.7%. Private sector earnings increased by 2.8% over the

year. Women, and BME women in particular, are disproportionately likely to work in the public sector.

The stagnation in real wages means that workers at the lower end of the income spectrum have been unable to compensate for the freeze applied to in-work benefits with any real-terms increases in earnings. Actual weekly hours worked have been relatively stable since 2002 at an average of 32 for all those in employment (with a slight dip during the last recession), masking an almost ten-point gender gap. This means despite stagnating wages, people on average have not been able to find additional jobs or not been in a position to take on more hours to compensate for the loss of living standards.

Underemployment rates – the proportion of people in employment who would like to work more hours and are available to do so – stood at 8.1% (slightly lower than the peak in 2012 at 11% but higher than before the crisis at 7.3%).

### The gender pay gap

The slightly higher earnings growth for women over the past five years comes in the context of a persistent gender pay gap, which has fallen but remains steady in recent years.

- In 2017 the gender pay gap for full-time employees was 9.1%, down from 9.4% in 2016
- Among part-time employees women are paid on average slightly more than men per hour; a reverse gender pay gap of 5.1%. This gap has fallen from 6.1% in 2016 as the earnings of men working part-time increased by more than the earnings of women working part-time.
- The overall gender pay gap for both full and part-time employees was 18.4%, a slight increase from the 2016 gap of 18.2%. This is the result of the narrowing of the part-time pay gap, and an increase in the proportion of employees working part-time.<sup>13</sup>

For full-time employees, the hourly pay gap in the private sector (15.9%) remains higher than the gap in

<sup>10</sup> Citizens Advice (2015) *Neither one thing nor the other: how reducing bogus self-employment could benefit workers, business and the Exchequer* (<http://bit.ly/2zIWyDK>)

<sup>11</sup> TUC (2014) *Tribunal Fees denying harassed and discriminated workers access to justice*.

(<http://bit.ly/2zHBZYm>)

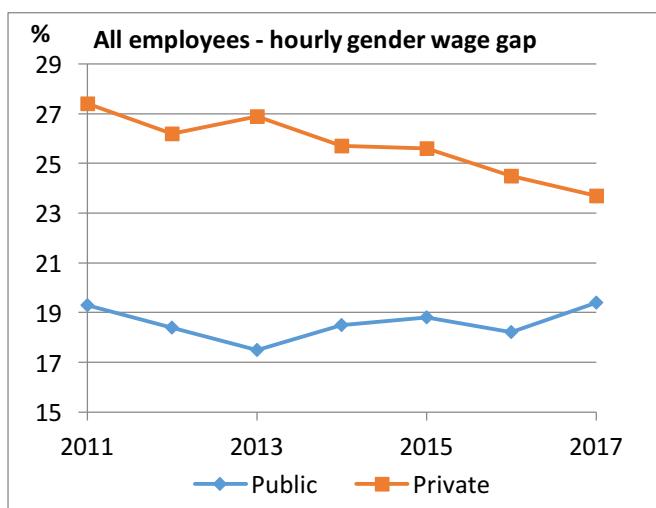
<sup>12</sup> ONS (2017) *Annual Survey of Hours and Earnings: 2017 provisional and 2016 revised results* (<http://bit.ly/2zGaZrV>)

<sup>13</sup> ONS (2017) *Annual Survey of Hours and Earnings: 2017 provisional and 2016 revised results* (<http://bit.ly/2zGaZrV>)

the public sector (13.1%). However the pay gap in the private sector is on a steady downward trend, while the pay gap in the public sector has increased and is now at its highest level since 1999, in large part due to the public sector pay freeze.

For all employees, the hourly pay gap in the public sector has returned to its 2011 level at 19.4%.

**Figure 2 Gender wage gap in public and private sectors**



Source: ONS (2017), ASHE Provisional results April 2017

### Low pay

Conventionally, low pay is assumed to be 60% below median wages although it is not clear whether this should be seen as median weekly earnings or median hourly wage. The National Living Wage of £7.50 is equivalent to 60% of the median hourly wage in 2017 but only 54% of the median hourly wage of full-time employees. Given that social security benefits targeted at low earners consider income rather than hourly wages, looking at low weekly earnings to assess the prevalence of people living with low income from employment is more relevant.

If we take full-time jobs as the benchmark to assess who is in low pay, median weekly earnings of full-time employees was £550 in 2017. The threshold per week for low earnings is thus £330. According to data from ASHE 2017, about 8.4 million employees were on low earnings (32% of all employees), 70% of whom were women. Compared to 2011, the share of women in low earnings has barely changed (69%) and the proportion of employees on low earnings was slightly

higher than at 34%. There were 5.7 million women employees on low earnings in 2011 growing to 5.84 million in 2017. Even if only full-time employees are considered, 67% of those on low pay were women.

### Conclusion

While the increase of women in paid employment is welcome, if work is to provide a reliable route out of poverty for women, then issues of low pay, insecure contracts and involuntary part-time work all need to be addressed. The public sector pay freeze should be lifted, the spread of zero hours contracts reversed and meaningful action taken to address the undervaluing and underpayment of jobs traditionally carried out by women.

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