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# Women, Employment and Earnings

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

**November 2018**

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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 **24 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 (54%), **temporary** employment (52%), **zero-hour** contracts (53.6%) and **part-time self-employment** (60%).*
- ***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.*
- *The **Gender pay gap** has continued to fall, however progress in closing the gap remains slow.*
- ***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.*
- *Following the Supreme Court ruling to reverse the increase in fees for employment tribunals the number of tribunal claims has risen.*
- ***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.***

The government regularly reminds us that there are more women in work than ever before and paid employment is often positioned as a key route out of poverty. Women's greater labour market participation is often held up in response to analysis showing that cuts to benefits and services have fallen disproportionately on the shoulders of women.<sup>1</sup>

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. 74.1% of women aged 16-64 are economically active as are 83.5% of men.

The employment rate for mothers was 74.0% in April to June 2018, which has increased from 68.9% in 2013 and from 61.9% in 1996<sup>3</sup>. Since 2010, the employment rate for women with children has been higher than the employment rate for women with no dependents. The reverse was true prior to 2010. In April to June 2018 there were 4.9 million<sup>4</sup> mothers in employment

<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>)

<sup>3</sup> ONS Families and the Labour Market 2018 <https://bit.ly/2DXxHzl>

<sup>4</sup> IFS *Wage progression and the gender wage gap: the causal impact of hours of work* 2018 <https://www.ifs.org.uk/publications/10358>

which equates to 74.0% of all mothers. Part of the increase in working mothers may be attributed to women having children later in life when they have spent more years in work and have greater labour market attachment.

In spite of the increase in working mothers, it is still the case that there is a significant pay penalty for mothers<sup>5</sup> and that three quarters of working mothers experience some form of pregnancy discrimination<sup>6</sup>. According to recent IFS research, the pay gap between mothers and fathers increases by around 21% points between the birth of the first child and the child's twentieth birthday.<sup>7</sup>

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 (54% of involuntarily part time employed), in part-time self-employment (60% of part-time self-employed) or in temporary employment (52% 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.

These headline indicators by gender mask considerable variation in the rates of participation in paid work by ethnicity and by disability.<sup>8</sup>

The sectors where women tend to work still tend to be the lowest paid, with women still predominating 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. 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.

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>9</sup>

### **Job security**

In the first quarter of 2018 780,000 people were estimated to be on a zero-hour contract, representing 2.4% of those in employment.<sup>10</sup> Moreover, in 2017 there were 1.8 million employees with no guaranteed minimum hours.<sup>11</sup> The majority (53%) of those on zero-hour contracts are women; 2.7% of women in employment are on zero-hour contracts. 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, research suggests that the majority (two thirds) would prefer to have guaranteed hours.<sup>12</sup> The same research highlighted the 'last minute' nature of zero-hours working which can be particularly problematic for women with caring responsibilities or juggling more than one job. More than half (51%) of zero-hour workers had had shifts cancelled at less than 24 hours' notice, nearly three-quarters (73%) had been offered work at less than 24 hours' notice.

The lack of autonomy over working hours inherent in zero hours and short hours contracts – similar contracts to the latter, with small minimum guaranteed hours per week – makes it impossible to budget, arrange childcare, rent in the private sector and can lead to problems with tax credits or universal credit as income can fluctuate from week to week.

It is worth noting that zero hours contracts have become shorthand for precarious work where workers have minimal rights and are at the whim of

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<sup>5</sup> TUC/IPPR *The Motherhood Pay Penalty* 2016

<sup>6</sup> EHRC 2016

<sup>7</sup> IFS *Wage progression and the gender wage gap: the causal impact of hours of work* 2018

<https://www.ifs.org.uk/publications/10358>

<sup>8</sup> WBG (2017) *Intersecting Inequalities*, <https://bit.ly/2Nz0Q3y>

<sup>9</sup> Ibid.

<sup>10</sup> ONS (2018) *People in employment on zero hours contracts* (<https://bit.ly/2yM5kNQ>)

<sup>11</sup> ONS, *Contracts that do not guarantee a minimum number of hours: April 2018*, <https://bit.ly/2HWTICu>

<sup>12</sup> TUC (2017) *Great Jobs with Guaranteed hours*, <https://bit.ly/2yf7E1w>

their employer but zero hours contracts are just one of many types of working arrangements that are equally precarious. For instance, TUC analysis shows that almost 4 million people are in some form of insecure work (including agency, casual and seasonal workers, and low-paid self-employed workers) which equates to around one in nine workers.<sup>13</sup>

## Self-employment

Self-employment in the UK remains high at 4.8m in 2018<sup>14</sup>. The proportion of all workers who are self-employed has risen from close to 13% in 2008 to 17% in 2018. There has been a significant growth in the number of part time self-employed men, whereas the growth in self-employed women can be attributed to both full-time and part-time work<sup>15</sup>.

Self-employed women are the majority of the newly self-employed since 2008. 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 61% of the newly self-employed have been women so their share is now 34% of the self-employed. And while male self-employment has decreased in the last year (from April-June 2017 to April-June 2018), women's has continued to increase.<sup>16</sup>

For many women self-employment is a positive option allowing them to pursue fulfilling and flexible work which fits around other commitments such as caring responsibilities. 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 2016, median weekly earnings

(from all sources) of full-time self-employed women were £294, compared to male counterparts who earned £400, a gender earnings gap of 27%, which is 10 percentage points higher than for full-time employees.<sup>17</sup>

The rise in "bogus" self-employment is also cause for concern. 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>18</sup>

## Tribunal fees

Following a legal challenge by Unison, the Supreme Court ruled in July 2017 that employment tribunal fees indirectly discriminated against some groups, including women, and prevented access to justice. As a result, the fees were abolished and since, there has been a significant increase in the number of cases going to tribunal and a scheme to refund fees paid between 2013 and 2017 has opened. According to Ministry of Justice figures, single employment tribunal claims received increased by 118% between January and March 2018.<sup>19</sup>

## Earnings: What is happening to pay?

Real-term average weekly earnings stalled in 2016 and 2017. Although they have now increased by slightly more than inflation in, they are still below their pre-crisis level.<sup>20</sup>

In April 2018 – the latest available earnings data – median gross weekly earnings for full-time employees were £569, up 3.5% from £550 in 2017. Adjusted for inflation, full-time gross weekly earnings increased by 1.2% compared with 2017.<sup>21</sup> Weekly earnings for part-

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<sup>13</sup> See <https://bit.ly/2i7TypG>

<sup>14</sup> ONS EMP14 *Employees and Self Employed by industry* <https://bit.ly/2zYSgYp>

<sup>15</sup> ONS *Trends in Self-Employment 2018* <https://bit.ly/2G0JUUM>

<sup>16</sup> ONS Labour Force Survey, September 2018

<sup>17</sup> ONS *Trends in Self-Employment 2018* <https://bit.ly/2G0JUUM> and ASHE 2016

<sup>18</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>19</sup> See <https://bit.ly/2xcSRmr>

<sup>20</sup> ONS, average weekly earnings dataset (EARN01), Sep 2018 (<https://bit.ly/2GadA13>)

<sup>21</sup> ONS (2018) *Annual Survey of Hours and Earnings 2018* (<https://bit.ly/2KrbhWN>)

time employees also increased but by a lower amount (2.9%).

Full-time gross weekly earnings peaked at ages 40 to 49 years for men (£708) and ages 30 to 39 years for women (£575) in April 2018.

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%. The 1 per cent pay cap has, rightfully, now been ended. As a result, public sector earnings increased between 2017 and 2018 by 2.3% on average for full time workers. This compares to an increase of 3.5% in the private sector. In 2018 private sector earnings increased faster than public sector earnings for the third year running. Women, and BME women in particular, are disproportionately likely to work in the public sector.

Average full-time total paid hours increased by 0.3% in 2018 compared with 2017, while part-time total paid hours decreased by 1.2%. Mean total paid hours for part-time jobs in 2018 was 18 hours, the lowest since the time series began in 1997<sup>22</sup>.

Underemployment rates – the proportion of people in employment who would like to work more hours and are available to do so – stood at 7.7% in September 2018<sup>23</sup> (slightly lower than the peak in 2012 at 11% but higher than before the crisis at 7.3%).

### The gender pay gap

While women's earnings have grown in recent years, progress in closing the gender pay gap remains slow.<sup>24</sup>

- In 2018 the gender pay gap for full-time employees was 8.6%, down from 9.1% in 2017
- Among part-time employees, women are paid on average slightly more than men per hour; a reverse gender pay gap of -4.4%. This gap has been falling steadily since 2015 when it was -6.8% 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 17.9%, a slight fall from the 2017 gap of 18.4%. The overall pay gap is greater because more women work in part time jobs, which are lower paid on average (£9.36 per hour compared with £14.31, excluding overtime, for full-time jobs)

For full-time employees, the hourly pay gap in the private sector (14.7%) remains higher than the gap in the public sector (12.7%). This is also true for the pay gap among all workers which is 23.8% in the private sector and 19% in the public sector.

### Gender Pay Gap reporting

In April 2017 new gender pay gap reporting regulations came into force, placing a duty on all organisations, from both the public and private sectors, with 250 or more employees to report on their mean and median gender pay gaps.

The regulations require employers to report on an annual basis and to publish data on their own company website as well as a government website.

In spring 2018 companies had to report for the first time. The reported data highlighted how widespread the gender pay gap is with 8 in 10 companies reporting a positive pay gap (i.e. in favour of men) and positive pay gaps reported across all sectors.<sup>25</sup>

### Low pay

Conventionally, low pay is assumed to be below 60% of median wages although it is not clear whether this should be seen as median weekly earnings or median hourly wage. In 2018 median hourly earnings were £12.78, meaning that the ONS defines anyone earning under £8.52 an hour as low paid.<sup>26</sup> The National Living Wage in 2018 for over 25s was £7.83 per hour. This was raised to £8.21 an hour in the 2018 budget. However, the 2018/19 NLW is lower than the 2018/19 real Living Wage of £9.00 an hour (£10.55 an hour in London), so the gap between the two, although narrowing, will continue in 2019/20.

<sup>22</sup> ONS (2018) Annual Survey of Hours and Earnings 2018 (<https://bit.ly/2KrbhWN>)

<sup>23</sup> ONS (2018) Underemployment and overemployment, (<https://bit.ly/2rZlkMI>)

<sup>24</sup> ONS (2018) Gender pay gap in the UK: 2018, (<https://bit.ly/2KpHIKJ>)

<sup>25</sup> House of Commons, Gender Pay Gap Reporting, 23 July 2018 (<https://bit.ly/2LR2D7p>)

<sup>26</sup> ONS (2018) Low and high pay in the UK: 2018 (<https://bit.ly/2Kupd2A>)

In 2018 an estimated 272,000 women and 114,000 men were in jobs paying less than the National Living Wage.<sup>27</sup>

The proportion of people on low pay calculated on an hourly basis is 17.8%, representing a steady fall since 2013. This masks a significant difference between low pay among part time workers (36.5% measured on an hourly basis) and full-time workers (10.5% measured on an hourly basis).

However, it is arguable that it is more relevant to assess low pay on the basis of weekly rather than hourly earnings, particularly since social security benefits targeted at low earners are based on income rather than hourly wages. Calculated on a weekly basis 27.3% of workers were low paid in 2018.<sup>28</sup> The most up to date analysis of these workers by gender shows that 70% of these workers 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 then 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.<sup>29</sup>

A recent Fabian Society report found that one in five low paid workers were still stuck in low paid work after a decade, indicating a lack of progression in many sectors<sup>30</sup>. In the retail sector and in administration, both female dominated sectors, two in five workers were still stuck in low-paid work a decade later.

## Conclusion

While it is true that women's employment rate continues to grow, it is also true that there are ongoing issues of low pay, job insecurity, and involuntary part-time work which continue to affect the quality of work and have a sizeable impact on women's earnings. The impact of austerity is still being felt by many women working in the public sector who face pay freezes, job cuts, increased workloads, and contracting out of services on worse terms and conditions. The public sector pay freeze

should be lifted, employment rights should be strengthened and extended to ensure that all workers, whether they are on zero hours contracts, short hours contracts or they are agency workers, have the same floor of rights as full-time permanent employees. Meaningful action should also be taken to strengthen and enforce existing equalities legislation in order to tackle widespread sex and maternity discrimination in the workplace and the undervaluing and underpayment of jobs traditionally carried out by women.

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## UK Women's Budget Group, October 2018.

WBG is an independent, voluntary organisation made up of individuals from Academia, NGOs and trade unions. See [www.wbg.org.uk](http://www.wbg.org.uk)

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<sup>27</sup> ONS (2018) Jobs paid below minimum wage by category (<https://bit.ly/2zlZ41E>)

<sup>28</sup> ONS (2018) Jobs paid below minimum wage by category (<https://bit.ly/2zlZ41E>)

<sup>29</sup> ONS, *Annual Survey of Hours and Earnings*, 2011 and 2017 tables (<https://bit.ly/2DW1e7o>)

<sup>30</sup> Fabian Society, *Pathways to Progression*, May 2018