Policy briefings on coronavirus and inequalities

Covid-19 and economic challenges for young women
Young Women and the Economic Impact of Covid-19

A policy briefing from the Young Women’s Trust and Women’s Budget Group

Key facts

- Prior to the coronavirus outbreak and ensuing labour market shock, young women were already facing disadvantage in employment in a gender earnings gap (32.8 per cent for 18-21 age group and 19 per cent for 22-29 age group), discrimination and sexual harassment.
- The pandemic economic impact has hit young women’s employment the hardest, as a third of all young women were employed in shutdown sectors like hospitality, leisure and tourism.
- In May 2020, 84 per cent of young women surveyed were concerned about their future finances, 64 per cent expected to lose money because of the crisis, and a quarter said they expected to lose more than £100 a week.
- In October 2020, an estimated 1.5 million young women had lost income since the coronavirus pandemic began and 750,000 had been made to come to work despite concerns about their safety.
- 69% of young women claiming Universal Credit since March 2020 reported they had done so for the first time.
- Childcare responsibilities are a big barrier for young women to flourish in the labour market and for their financial autonomy. The coronavirus pandemic is impacting a financially fragile sector, with a quarter of nurseries reporting concerns over closing in the next few months.
- Mental health has significantly deteriorated across the population since the pandemic started, with women, young people, disabled people and those facing financial difficulties the hardest hit.

Young women and the labour market

Pre-existing inequalities

Prior to the coronavirus outbreak and ensuing labour market shock, young women were already facing disadvantages in employment.

The gender gap in earnings starts at the beginning of young women’s careers: in 2019, women aged 18-21 earned 32.8 per cent less than young men of same age and 19 per cent less in the 22-29 age group.¹

¹ Calculations based on gross annual pay for all employees. This is different from the gender pay gap, officially calculated as the difference of hourly pay for women and men working full-time. Source: ONS (2019) Annual Survey of Hours and Earnings 201, Age Group Table 6.7a Annual Pay, Gross 2019 (all employees) (http://bit.ly/32J2hWd)
five years after completing their apprenticeship. Women are also more likely to be illegally paid below the minimum wage.

For those who are able to access higher education, men earn more than women within five years of completing their degree across all subjects. This is particularly pronounced in architecture and computer science, with male graduates earning £4,500 more a year than women with the same courses.

Outright discrimination plays a huge role in young women’s economic inequality. Young Women’s Trust research found that over one in five young mums reported being paid less than the minimum wage they are entitled to and being paid less than male colleagues to do the same or similar work. A third of young women feel they have been discriminated against in work because of their sex, and 41 per cent of young women of colour say they have also been discriminated against because of their race.

Disproportionate care responsibilities are also a big factor in explaining the disadvantaged economic position of young women. Young women are more likely to be doing unpaid work such as caring and domestic work, and if they can access paid work, they are more likely to be offered fewer hours and be paid less than the minimum wage than young men. Their jobs are also more likely to be precarious than young men’s: 42 per cent of young women are offered a zero-hours contract compared to 37 per cent of young men, and this percentage has been rising every year.

Impact of Covid-19 on employment

The coronavirus pandemic and the public health measures the government introduced to contain it had a massive impact on young women’s employment. Women and young people were two of the hardest hit groups economically. Young workers were the hardest hit by the lockdown, with employees aged under 25 two and a half times more likely to work in a shutdown sector than other employees. Young women in particular were disadvantaged, as shutdown sectors employed over a third of all young women employees (36 per cent) and a quarter of young men employees.

This disparity is reflected in the Coronavirus Job Retention Scheme (CJRS) statistics. Young women under 22 were more likely to be furloughed than men of the same age, the only age group where this was the case. Nearly half of all young employees were put on furlough. Employees aged 17 were the most likely to be furloughed, with about two-thirds (65 per cent) of total 17-year-old female employees put on furlough (62 per cent of 17-year-old male employees).

Young Women’s Trust research found that many young women had quit employment because coronavirus safety measures were not being met, and an estimated 750,000 had been made to come into work despite concerns about their safety. The coronavirus crisis is also likely to disrupt career progression for young women as they are in the early stages of their career. Early career wage growth is driven by workers moving into higher-

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3 Ibid.
6 Ibid.
7 Young Women’s Trust (4 Mar 2020) Valuing Young Women’s Unpaid Work (https://youngwomenscount.org/)
8 Young Women’s Trust (4 Dec 2019) Young women facing constant financial struggle (https://bit.ly/32rAxFH)
9 Ibid. In comparison, in 2018 39% of young women were offered zero-hours contracts compared to 32% of young men (http://bit.ly/2VHmiuU) and in 2017 33% of young women compared to 28% of young men (http://bit.ly/2wXopAm).
11 Ibid.
paying occupations, now harder due to a reduction in vacancies and an increase in redundancies.\footnote{IFS (Jul 2020) COVID-19 and the career prospects of young people (https://bit.ly/3hxYUbj)}

**Barriers to returning to work**

Most sectors affected by lockdown have reopened for business and many young women who had been furloughed are returning to work. But as social-distancing rules continue for the foreseeable future and customers’ health concerns linger, many businesses will see a drop in custom and thus struggle to remain afloat. Some sectors will struggle to rebound in the medium term and fewer job opportunities will be able for those young women who lose their jobs or who are just entering the labour market.

Childcare was a significant barrier for young women to enter or progress in the labour market prior to the coronavirus crisis. Finding the right childcare arrangements will become even harder in the context of limited contact with extended family and the bleak sustainability prospects of many childcare providers (see section 4 below).

**Balancing paid and unpaid work**

Before lockdown, young mothers were struggling to balance paid work and raising their children because formal childcare arrangements were expensive and inflexible.

In 2019, only just over half of local authorities in England (56 per cent) report that they had enough childcare for parents who work full-time, and less than a fifth (18 per cent) have sufficient childcare for parents who work atypical hours.\footnote{ONS (Jul 2020) Parenting in lockdown: Coronavirus and the effects on work-life balance (https://bit.ly/2FnA5AD)}


earnings were spending between half and two-thirds of their salaries on a nursery place. The free childcare hours for 3- and 4-year-olds make a significant difference to affordability but childcare costs were still coming to between a fifth and a quarter of young mothers’ salaries.\footnote{Ibid.}

This resulted in childcare as a significant obstacle for young women to enter the labour market. The Young Women’s Trust Childcare Report (2019) found that two-thirds of young mums not in paid work had been unable to take up paid work due to childcare costs. One in three had to leave a job because they could not afford childcare and more than half (57 per cent) were unable to take a job they had been offered because of a lack of suitable childcare options.\footnote{Young Women’s Trust (Nov 2019) Childcare: What Young Women Want (https://bit.ly/37UBLKE)}

**Lockdown and childcare**

During lockdown, schools and nurseries were closed to all except key workers’ children and informal childcare support from grandparents became impossible. Childcare and education were completely transferred to the nuclear family and mothers disproportionately absorbed the additional unpaid workload, with mothers doing two-thirds more childcare than fathers during lockdown.\footnote{ONS (Jul 2020) Parenting in lockdown: Coronavirus and the effects on work-life balance (https://bit.ly/2FnA5AD)}\footnote{Ibid.} Parents were twice as likely to be furloughed (13.6%) as workers without children (7.2%),\footnote{IFS (May 2020) Parents, especially mothers, paying heavy price for lockdown (https://bit.ly/323vQSH)} while mothers were more likely to be furloughed or lose their jobs during lockdown than fathers. As companies start to restructure as the more generous furlough scheme ends and job losses increase, there are serious concerns mothers could be first in line for redundancies.

At the beginning of August the government announced workers should return to their workplaces. There was no indication of how parents were supposed to manage this during the school summer holidays, with most holiday clubs
not operating and wraparound childcare unavailable. Since schools started in September, there have been several Covid-19 outbreaks with students being sent home to self-isolate along with their households. This poses significant problems for parents (usually mothers) to continue to work and not be penalised in their jobs.

**Childcare sector crisis**

Although nine out of ten childcare providers had reopened in July, many are facing large financial troubles due to the very low occupancy rates during lockdown which haven’t yet recovered to pre-Covid levels. Facing largely the same operational costs with a fraction of the income, one in four nurseries are expecting to have to close within the next 12 months.\(^{21}\) Already in October 2020, 12 per cent of young women said their nursery had closed down permanently.\(^{22}\) The lack of clarity in the eligibility rules for government support meant many providers were unable to plan financially to withstand the lockdown. If a considerable number of nurseries are forced to close this will exacerbate the issue of unavailability of care that predates the coronavirus pandemic and drive prices further up and out of reach to most young mothers. This will have a negative impact on young women’s ability to enter or progress in the labour market and support their families.

51 per cent of young women parents, up from 33 per cent last year, reported they were unable to apply for a job, turned down a job or left a job because they could not cover childcare costs, showing the impact the crisis is having on the affordability of the limited childcare that is left.\(^{23}\)

**Economic and financial insecurity**

Before the Coronavirus crisis hit, young women were already facing significant financial insecurity. Last year, Young Women’s Trust’s research found that 37 per cent of young women found it hard to make their cash last until the end of the month and half of young mums skipped meals at least once a week to provide for their children.\(^ {24}\) Women are statistically more likely to be in low-earning jobs - 69 per cent of low-earners in 2019 were women.\(^ {25}\)

**Coronavirus and loss of income**

As the pandemic labour market shocks continue to unfold, even more young women are being pushed to the brink financially. In YWT’s survey of 200 young women in May 2020, 84 per cent were concerned about their future finances, 64 per cent expected to lose money because of the crisis, and a quarter said they expected to lose more than £100 a week.\(^ {26}\) Analysis by Turn2Us predicts that women’s incomes will fall by 26 per cent (£309), compared to an 18 per cent drop (£247) in earnings for men.\(^ {27}\) In October 2020, an estimated 1.5 million young women had lost income since the coronavirus pandemic.\(^ {28}\)

**Universal Credit & other social security**

The number of people claiming social security has increased significantly during the pandemic and will continue to rise as more and more people lose work. IPPR estimate that from March until the end of this year there will be an additional 1.3 million claims from young people for out-of-work benefits, mostly universal credit.\(^ {29}\) This would be the highest number on record. With predictions for young women’s unemployment particularly high, it is likely that many more young women will be claiming benefits. As a result, issues with Universal Credit like the five-week wait, the benefit cap, the

\[^{23}\text{Ibid.}\]
\[^{26}\text{Turn2Us (May 2020) Coronavirus pandemic widens the gender gap (https://bit.ly/3gLn4iC)}\]
two-child limit and the lower rates for under 25s will affect more and more young women. In October 2020 69 per cent of young women claiming Universal Credit since March 2020 reported they had done so for the first time.30

There are specific groups of young women that are worse affected by problems with the benefits system. Black, Asian and minority ethnic women are more likely to be affected by the two-child limit, as they are more likely to have more than two children. Many disabled young women are still on legacy benefits and so did not receive the increase in Universal Credit that was part of the government’s support package.

Payment of Universal Credit to a single bank account increases the risk of economic abuse towards young women, as they cannot safeguard their money from a controlling and abusive partner or family member. One study found that a third of young women under 30 had faced economic abuse of some form including a partner taking benefits or wages or being prevented from keeping or getting a job. Three quarters of those who had experienced economic abuse had children.31

The ‘No Recourse to Public Funds’ policy means many migrant women who lose work during the pandemic will be forced into poverty with no way to access support from the government.

Statutory Sick Pay
As part of its support measures in March, the government provided a small increase to Statutory Sick Pay (SSP). The Test and Trace scheme requires people to self-isolate if they come into contact with the virus. The success of the scheme relies on people being able to access SSP when they have to self-isolate, otherwise they may feel they have to continue to go to work in order to make ends meet. Women are less likely to be eligible for SSP than men because they are more likely to be earning below the qualifying threshold. WBG calculations find that 15.5% of women and 10.6% of men do not earn enough to qualify for SSP.32

Impact of economic inequality on mental health
Economic inequality has a damaging effect on young women’s mental health. Poor mental health is strongly associated with social and economic factors, including living in poverty,33 low-quality work34 and unemployment.35 In YWT research in 2019, over a third (37 per cent) of young women on the lowest or no pay reported having depression, the highest group in the survey. Young women identified work, financial worries and relationships as the top three drivers of poor mental health.36

Poor mental health also limits young women’s ability to access work – creating a vicious cycle whereby economic inequality damages young women’s mental health, which in turn limits their economic freedom. In YWT’s research, more than one in five young women said that their mental health had affected their ability to stay in work (compared with 16 per cent of young men) and the group most likely to say this was young women on the lowest or no pay (31 per cent). They also reported an adverse impact on their ability to seek work, manage finances and perform well at school or work.37

Impact of coronavirus pandemic on mental health
Now, the Covid-19 pandemic is exacerbating these issues. IFS research found that, taking account of pre-pandemic trajectories, mental health has

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31 YWCA (2008) Young women and financial abuse (not available online, provided by https://survivingeconomicalabuse.org/)
34 The Health Foundation (Feb 2020) What the quality of work means for our mental health (https://bit.ly/3cnMOzS)
37 Ibid.
deteriorated significantly (by 8.1 per cent on average) as a result of the pandemic. Young adults and women—groups with worse mental health pre-pandemic—have been hit hardest. The fraction of young women reporting severe mental health problems doubled during the pandemic.\textsuperscript{38} ONS data also shows a significant deterioration in mental health since the pandemic, with adults who were aged 16 to 39 years old, women, those who are unable to afford an unexpected expense and people who are disabled were the most likely to experience some form of depression during the pandemic.\textsuperscript{39}

Young women have been facing enormous pressure since lockdown began: they are disproportionately likely to work in the sectors that have been worst affected, and are facing job loss and financial difficulties as a result.\textsuperscript{40} On top of this, mothers are struggling to manage childcare, homeschool their children, and work in parallel. Furthermore, women in employment are twice as likely to be key workers as employed men, facing significant health risks.\textsuperscript{41}

Amidst all these challenges, YWT found that many young women are feeling lonely because they are separated from loved ones and their support networks.\textsuperscript{42} Young women were more likely to say their mental health had become worse over the last 12 months compared to young men (43 per cent compared to 32 per cent) and over half said they were ‘worried about their mental health’.\textsuperscript{43} Research shows that adults living with mental health problems report their mental health has deteriorated because they received less support during lockdown.\textsuperscript{44} There are concerns that this could soon lead to a spike in demand for support, which would put strain on a system that was already stretched prior to the pandemic. There is a risk that young women requiring support will be unable to access it or will fall through the gaps.\textsuperscript{45}

**Young women and Brexit**

At the end of December 2020, the UK will leave the transition period of its EU exit and all EU rules will stop applying. A trade deal with the EU is still far from certain at the time of writing (September 2020) and if no deal is reached in time, Brexit is likely to exacerbate the Covid-induced economic recession. While coronavirus has disproportionately affected some sectors (e.g. retail, hospitality, tourism), Brexit is likely to adversely impact others (e.g. manufacturing, finance, sectors reliant on exports and imports).

While the European Union Withdrawal Act in 2018 transposed all current EU law into the UK statute books, amending this legislation is possible by ministerial decree without parliamentary oversight. Key working rights that young women rely on, such as maternity and parental leave and pay, equal pay for equal work, limited weekly working hours, protection from pregnancy discrimination at work, are at risk of being eroded by this or future governments. British young women are also about to lose their right to work and study abroad in 27 European countries, while their right to bring their EU-national partners or children to join them in the UK will be restricted.

Brexit will have an impact on the cost of essentials, including food and fuel. Price increases in essentials hit women harder because they’re more

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\textsuperscript{40} IFS (Apr 2020) Sector shutdowns during the coronavirus crisis: which workers are most exposed? (https://bit.ly/2yC5ruD)


\textsuperscript{42} Young Women’s Trust (May 2020) Ignored, Undervalued and Underpaid (https://bit.ly/33UyCue)


\textsuperscript{44} Rethink Mental Illness (Apr 2020) 80% of people living with mental illness say current crisis has made their mental health worse (https://bit.ly/33QZnps)

likely to be poor and responsible for budgeting, shopping and food preparation.\textsuperscript{46}

A no-deal Brexit would have disastrous consequences for health, in the shape of shortage of medicines and ancillary chemicals indispensable for health treatments like cancer. Disabled and chronically ill young women will be particularly affected by these shortages.

Finally, the UK is currently negotiating trade deals with other countries that are likely to have an impact on gender equality. These should be scrutinised for their impact on women and equality both in the UK and in the other signatory countries.

Recommendations

- **Improve social security protections for unemployed and low-paid workers:** Statutory Sick Pay should be increased for working young women to be financially covered if they fall ill. The five-week wait for first payment of Universal Credit should be abolished, so that young women can continue to support their families without incurring debt. Local Housing Allowance rates should be raised in line with median local private rents so that young women on housing benefit can fully cover their housing costs.

- **Ensure the kickstart scheme is accessible for young women:** The scheme should guarantee an equal proportion of work placements for young women as young men, making sure they don’t lose out on well-paid opportunities and careers. The government should monitor and publish data on who takes up the scheme, broken down by industry as well as by sex, age and race.

- **Publish nationally and ensure employers share redundancy data by protected characteristics:** This includes age, sex and ethnicity so we can see who is being impacted by job losses.

- **Immediately commit to restarting gender pay gap reporting for 2021/22:** This should be for all sizes of organisations, along with action plans and advertising all jobs with salary details.

- **Ensure all employers implement flexible work as the norm:** This is vital for young women, many of whom have unpaid care responsibilities, to access the workplace.

- **Urgent support for childcare providers:** Childcare infrastructure is key for young mothers’ economic independence. The government should establish a Childcare Infrastructure Fund\textsuperscript{47} to support providers’ salary costs to keep them running. In the longer-term, the current funding system should be overhauled from a demand to a supply-side, with the goal of establishing a universal free childcare system.

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\textsuperscript{47} For more information see NEF’s briefing: NEF (2020) A Childcare Infrastructure Fund (\url{https://bit.ly/361cEZ6})